

**Comprehensive Annual Financial Report**  
**for the Fiscal Year Ended June 30, 2001**



*Kentucky*

Commonwealth of Kentucky  
Comprehensive Annual Financial Report  
for the year Ended June 30, 2001

Paul E. Patton, Governor



Prepared by:  
Finance and Administration Cabinet  
John P. McCarty, Secretary

Office of the Controller  
Edgar C. Ross, Controller

Division of Statewide Accounting Services  
Stuart Weatherford, Director





Paul E. Patton  
Governor



COMMONWEALTH OF KENTUCKY  
OFFICE OF THE GOVERNOR

PAUL E. PATTON  
GOVERNOR

700 CAPITOL AVENUE  
SUITE 100  
FRANKFORT, KY 40601  
(502) 564-2611  
FAX: (502) 564-2517

January 4, 2002

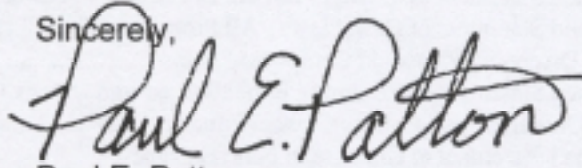
My Fellow Kentuckians:

I am proud to present the Commonwealth of Kentucky's Comprehensive Annual Financial Report for the Year Ended June 30, 2001.

This report has been prepared by the Finance and Administration Cabinet, Office of the Controller, Division of Statewide Accounting Services, and audited by the independent Office of the Auditor of Public Accounts. It complies with accounting principles generally accepted in the United States of America for State Governments as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants for measuring the financial activity of the government's various funds.

The information contained herein fairly presents and fully discloses all appropriate financial information required for taxpayers, investors, creditors, and others to understand and evaluate Kentucky's financial position.

Sincerely,



Paul E. Patton



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



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## INTRODUCTORY SECTION

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PAUL E. PATTON  
GOVERNOR

**OFFICE OF THE SECRETARY**  
FINANCE AND ADMINISTRATION CABINET  
383 CAPITOL ANNEX  
FRANKFORT, KENTUCKY 40601  
(502) 564-4240  
(502) 564-6785 FAX

T. KEVIN FLANERY  
SECRETARY

January 4, 2002

The Honorable Paul E. Patton  
Governor, Commonwealth of Kentucky  
The Capitol Building  
Frankfort, Kentucky 40601

Dear Governor Patton:

## INTRODUCTION

In accordance with Section 48.800(3) of the Kentucky Revised Statutes (K.R.S.), it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 2001. This report is prepared by the Finance and Administration Cabinet, Office of the Controller, Division of Statewide Accounting Services, which is responsible for the accurate, complete, and fair presentation of the data contained herein. The information presented fully describes the Commonwealth's financial position and results of operations as measured by the financial activity of the various funds. All appropriate disclosures necessary for the reader to gain the maximum understanding of Kentucky's financial affairs are included.

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes the transmittal letters, the 2000 Certificate of Achievement, condensed summary data charts, and the government's organizational chart and list of principal officials. The financial section includes the auditor's report on the financial statements and schedules, the general purpose financial statements and Notes to Combined Financial Statements, the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

### *The Reporting Entity and its Services*

This report includes all funds, account groups, and component units for which the Commonwealth is financially accountable, based on criteria established by the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The component units which are blended into the Commonwealth's primary government are: the State Property and Buildings Commission, Kentucky Asset/Liability Commission, Kentucky Lottery Corporation, Turnpike Authority of Kentucky, Board of Agriculture, Kentucky Savings Bond Authority, Kentucky Retirement System, and Kentucky Teachers' Retirement System.



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The Commonwealth's discretely presented component units are: the Bluegrass State Skills Corporation, Kentucky School Facilities Construction Commission, Kentucky State Fair Board, Kentucky Center for the Arts Corporation, Kentucky Educational Television Authority, Kentucky Economic Development Finance Authority, Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Educational Savings Plan Trust, Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Agricultural Finance Corporation, Kentucky Grain Insurance Corporation, Kentucky Local Correctional Facilities Construction Authority, Kentucky Community Technical College System, and the eight state supported universities.

The Commonwealth provides the full range of services contemplated by statute, including economic development, educational and human services, energy and natural resources management, law enforcement, correctional and public protection services, transportation, public improvements, and general legislative, administrative, and judicial services.

## **ECONOMIC CONDITION AND OUTLOOK**

After a decade of remarkable economic growth the economy slowed considerably in 2001. Even though the average real output continued to be higher than the long-term average, the change was in sharp contrast to the 5.2 percent growth of the previous year. Consumer sentiment also fell below the 100 mark after reaching a record high in 2000.

Real Gross Domestic Product (GDP) grew by 3.1 percent in 2001. Historically this would have been classified as stellar performance, however, we have become accustomed to average growth rates of over four percent. During the boom period last year this was up 5.6 percent.

National job growth was tepid with non-agricultural employment growing by 1.4 percent to a total of 132.3 million. About 1.9 million new jobs were created in 2001 compared to 2.9 million in 2000. The overall unemployment rate remained low at 4.2 percent. Manufacturing employment dropped by 1.5 percent. The big turnaround was in mining, especially oil and gas extraction, and employment increased by 3.7 percent.

In the early 1990s Kentucky was barely impacted by the national recession. As our industry mix diversified we were able to keep pace with the national economy, but we still rely on the manufacturing sector as a source of relatively well-paying jobs. In Kentucky 18.7 percent of nonagricultural employment is in the manufacturing sector compared to 15.2 percent nationally. Although Kentucky has shown positive growth in this area, recently, we experienced a 1.6 percent decline in manufacturing jobs. This has been more severe than the 0.7 percent decline in 1991.

Our overall nonagricultural employment growth was 1.1 percent, compared to the national average of 1.4 percent. Both services and finance, insurance and real estate grew strongly by 2.6 and 2.1 percent, respectively. Mining, which is dominated by coal mining, typically declines every year, but managed to grow by 0.9 percent in 2001. Even though transportation, communication and public utilities did poorly in the fourth quarter, mining registered an overall growth of 1.7 percent in 2001.

Kentucky's personal income growth in 2001 averaged 5.0 percent, compared to 5.6 percent nationally. The wage and salary component grew strongly by 5.7 percent, again due primarily to growth experienced in the first half of the year. The slowdown in income and employment did not impact the Kentucky economy substantially until the third quarter of 2001.

## **MAJOR INITIATIVES**

The first months of fiscal year 2001 were devoted to implementing the broad array of major policy initiatives authorized by the 2000 Regular Session of the General Assembly. These initiatives were in the biennial budget and funded effective July 1. The most important of these were post-secondary education improvement, infrastructure and community development investment, criminal justice, economic development, information technology, and elementary and secondary education. Also the Commonwealth was, for the first time, able to support program initiatives funded from the National Tobacco Settlement. The monies were focused in the areas of agricultural development diversification, early childhood development and health related initiatives including smoking cessation activities and health insurance for the most at risk element(s) of the population. The tobacco settlement funds were allocated on a percentage basis with 50 percent to agricultural development and 25 percent to both early childhood development and to health related initiatives. The Commonwealth also elected to bolster farm economy income supplement programs, authorized from the Settlement Funds.



By the fall of the year, the state economy and anticipated revenue collections were both beginning to slow. This gave rise to contingency planning efforts in the event that the Commonwealth were to face its first official revenue shortfall since the formalization of the Consensus Forecasting process in 1996 and the first broad budget cutback of an enacted budget since fiscal year 1994.

In January, the first "annual session" of the Kentucky General Assembly in over 200 years commenced. This new "annual session" was authorized by a Constitutional amendment and was empowered to take up any issue it deemed to be of public import. The Consensus Forecasting Group revised both the fiscal year 2001 General Fund and Road Fund estimates downward by \$91 million and \$55 million, respectively, triggering a formal Budget Reduction Plan into action. The Budget Reduction Plans for both the General and Road Funds were executed in April bringing the budget back into balance. The state law dictated the order priority for achieving budget reductions and were based on the following principles: (1) exempting education at all levels from any reductions; (2) exempting Medicaid benefits from cutbacks; (3) exempting capital projects/infrastructure investment; and (4) avoiding public employee layoffs. That effort resulted in a revised balanced budget without notable affect on public services. This was achieved by identifying appropriate funds that would remain unspent due to personnel vacancies, capturing unneeded debt service, by utilizing fund transfers, and by drawing down from the Budget Reserve Trust Fund. The Road Fund was rebalanced primarily by reducing the state construction program and by tapping a variety of small accounts.

Again in June the Consensus Forecasting Group reduced the "current year" revenue estimate by another \$68 million in the General Fund, making a cumulative General Fund revenue shortfall of \$159 million. Other reductions necessary to support emergency expenditures were also affected resulting in total fiscal year 2001 budget reductions of \$185 million. A second Budget Reduction Plan was executed that same month balancing the budget and preserving the principles and exemptions incorporated in the first actions. Budget reductions were again achieved by not filling vacant positions, capturing unneeded debt service, and additional fund transfers and operating expense reductions.

On June 14 the Consensus Forecasting Group again revised both the General Fund and Road Fund revenue estimates for fiscal year 2002, downward from the 2000 amounts by \$296 million and \$85 million, respectively. As the fiscal year closed, the Commonwealth was formulating Budget Reduction Plans for fiscal year 2002 in anticipation of a further national economic slowdown. Those plans were predicated on preserving the same policy priorities previously adopted in dealing with fiscal year 2001 problems, i.e., education, infrastructure, and essential public service.

## **FINANCIAL INFORMATION**

### ***The Accounting System and Budgetary Controls***

The Commonwealth's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The governmental funds, expendable trust funds, and agency funds are presented on the modified accrual basis of accounting whereby revenues are recognized when measurable and available, and expenditures are recognized when goods or services are received and the related liabilities are incurred. The proprietary and pension trust funds are presented on the accrual basis of accounting with all revenues and expenses recognized when the transactions occur, regardless of when related cash is received or disbursed.

In developing and operating the Commonwealth's accounting system, emphasis is placed on the adequacy of internal accounting controls. They are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use, and that such cost-benefit evaluation requires estimates and judgements by management. All internal control evaluations occur within this framework.

Budgetary control is maintained at the budget unit level described in the Notes to the Combined Financial Statements by the encumbrance of estimated purchase amounts prior to the release of contracts to vendors. Contracts which result in overruns of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balances in the Commonwealth's Transportation and Capital Projects Funds at June 30, 2001.

### **General Fund Condition - Budgetary Basis**

General Fund revenue on a budgetary basis for 2001 was \$6.84 billion, an increase of 1.8% over 2000. This amount includes \$6.76 billion in tax and non-tax receipts, and \$82.07 million of Operating Transfers In. Taxes represented 93.5% of all General Fund revenue collected during the period. The amounts and percentages of 2001 revenue derived from specific sources and the changes from 2000 are shown below (expressed in thousands) and are illustrated in Chart 1.

#### **General Fund Revenue and Other Financing Sources - Budgetary Basis**

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 2000	
			Amount	Percent
Individual Income Tax	\$ 2,778,542	40.6%	\$ 76,927	2.8%
Sales and Gross Receipts Taxes	2,435,517	35.6%	79,304	3.4%
Property Taxes	457,244	6.7%	69,993	18.1%
Corporate Income Tax	289,931	4.2%	(16,519)	(5.4%)
Non-Tax Revenue	362,146	5.3%	76,798	26.9%
Operating Transfers In	82,074	1.2%	(157,774)	(65.8%)
Severance Taxes	174,942	2.6%	4,465	2.6%
License and Privilege Taxes	174,625	2.6%	34,536	24.7%
Inheritance and Estate Taxes	83,461	1.2%	8,971	12.0%
Miscellaneous Taxes	3,204	0.0%	(53,248)	(94.3%)
<b>Total General Fund Revenue</b>	<b>\$ 6,841,687</b>	<b>100.0%</b>	<b>\$ 123,454</b>	<b>1.8%</b>

General Fund expenditures on a budgetary basis for 2001 totaled \$7.04 billion, including Operating Transfers Out of \$782.20 million. During 2001, expenditures increased by 7.5% and transfers increased by 23.78% compared to 2000. The general government function includes \$931.38 million of expenditures and transfers for the state supported universities, which together amount to 13.2% of the General Fund total. The amounts and percentages of 2001 expenditures for the various governmental functions and the changes from 2000 are shown below (expressed in thousands) and are illustrated in Chart 1.

#### **General Fund Expenditures and Other Financing Uses - Budgetary Basis**

Function	Amount	Percent of Total	Increase (Decrease) from 2000	
			Amount	Percent
General Government	\$ 1,947,924	27.7%	\$ 333,478	20.7%
Legislative and Judicial	206,935	2.9%	1,834	0.9%
Commerce	51,411	0.7%	(4,135)	(7.4%)
Education and Humanities	2,908,241	41.3%	63,841	2.2%
Human Resources	1,345,169	19.1%	78,064	6.2%
Justice	443,677	6.3%	21,813	5.2%
Natural Resources and Environmental Protection	62,205	0.9%	2,329	3.9%
Public Protection and Regulation	69,635	1.0%	3,773	5.7%
Transportation	5,300	0.1%	(1,220)	(18.7%)
Non-budgetary Items	(1,145)	0.0%	(8,057)	(116.6%)
<b>Total General Fund Expenditures</b>	<b>\$ 7,039,352</b>	<b>100.0%</b>	<b>\$ 491,720</b>	<b>7.5%</b>

The General Fund had a 2001 budgetary undesignated fund balance of \$197,844,140. This is an increase of \$21,490,424 compared to the 2000 year-end budgetary undesignated fund balance of \$176,353,716.



### **General Governmental Functions - GAAP Basis**

General governmental functions on a GAAP basis are accounted for in four governmental funds - General, Special Revenue, Debt Service, and Capital Projects. Revenue for general governmental functions totaled \$13.27 billion for 2001, an increase of 2.12% over the amount recognized during 2000. The amounts and percentages of 2001 revenue derived from specific sources and the changes from 2000 are shown below (expressed in thousands) and are illustrated in Chart 2.

#### **Governmental Funds Revenue - GAAP Basis**

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 2000	
			Amount	Percent
Taxes	\$ 7,534,101	56.8%	\$ 148,815	2.0%
Intergovernmental	4,208,631	31.7%	(394,250)	(8.6%)
Charges for Services	426,173	3.2%	66,391	18.5%
Other Revenues	616,361	4.6%	386,036	167.6%
Licenses, Fees, and Permits	200,239	1.5%	(3,369)	(1.7%)
Interest and Investments	232,100	1.7%	68,207	41.6%
Fines and Forfeits	54,297	0.4%	4,311	8.6%
Total Governmental Funds Revenue	\$ 13,271,902	100.0%	\$ 276,141	2.1%

2001 Governmental Funds Revenue rose \$276.14 million compared to 2000. Other Revenues increased by nearly \$386.04 million, including an increase of \$116.7 million in the General Fund. In addition, Tax Revenue climbed over \$148.82 million, with the Sales and Gross Receipts increasing \$79.30 million and the Capital Projects Fund adding \$60.6 million. Interest and Investments was up \$68.21 million, with the major contributor being the General Fund with an increase over 2000 of \$36.06 million. These three specifically described gains, offset by declines, account for 90.0% of revenue growth since last year.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled \$12.61 billion for 2001, an increase of 4.5% compared to 2000. The amounts and percentages of 2001 expenditures for various governmental functions and the changes from 2000 are shown below (expressed in thousands) and are illustrated in Chart 2.

#### **Governmental Funds Expenditures - GAAP Basis**

Function	Amount	Percent of Total	Increase (Decrease) from 2000	
			Amount	Percent
General Government	\$ 672,605	5.3%	\$ 131,597	24.3%
Legislative and Judicial	216,608	1.7%	3,630	1.7%
Commerce	51,283	0.4%	(1,658)	(3.1%)
Education and Humanities	3,442,741	27.3%	91,319	2.7%
Human Resources	5,110,365	40.5%	613	0.0%
Justice	553,499	4.4%	42,393	8.3%
Natural Resources and Environmental Protection	127,048	1.0%	1,324	1.1%
Public Protection and Regulation	124,725	1.0%	(6,625)	(5.0%)
Transportation	1,588,052	12.6%	85,696	5.7%
Capital Outlay	309,011	2.5%	83,602	37.1%
Debt Service	410,058	3.3%	107,350	35.5%
Total Governmental Funds Expenditures	\$ 12,605,995	100.0%	\$ 539,241	4.5%

2001 Governmental Funds Expenditures grew \$539.24 million compared to 2000. General Government expenditures increased spending by \$131.6 million due to the additional expenditure of almost \$66 million in the General Fund and \$54 million in the Special Revenue Funds. Debt Service cost rose about \$107 million, based on \$132.54 million more spent in the Debt Service Fund, for the retirement of principal debt. Education and Humanities jumped \$91.32 million, based on \$89 million more spent in the General Fund. The increases are also partially offset by \$6.63 million less spent in the Public Protection and Regulation Fund. The combined effect of these differences accounts for 62.5% of the net growth in expenditures this year.

Ending fund balances for all governmental fund types decreased 16.45%, from \$2.92 billion as restated for 2000, to \$2.44 billion in 2001. Of these totals, unreserved fund balances decreased 8.64%, from \$1.13 billion as restated at July 1, 2000, to \$1.04 billion at June 30, 2001.

### ***Debt Administration***

The amount of debt service for general bonded debt, the ratio of this amount to total expenditures for general governmental functions, and the amount of debt per capita are useful indicators to citizens, investors, and management regarding the Commonwealth's debt position. The data for 2001 is:

	<u>Debt Service (thousands)</u>	<u>Ratio to Total General Governmental Expenditures</u>	<u>Debt Per Capita</u>
General Bonded Debt	\$410,058	3.3%	\$733

No general obligation bonds were authorized or outstanding at June 30, 2001.

During 2001, Kentucky issued revenue bonds totaling \$762,945,000 for general governmental functions which are supported by governmental fund appropriations. All issues sold during 2001 were rated "AA-" or higher by major rating services. At June 30, 2001, total principal outstanding for revenue bonds paid from governmental fund appropriations was \$2,944,838,570.

### ***Cash Management, Investment and Collateral Policy***

The Commonwealth of Kentucky's investments are governed by KRS 42.500 and KAR Title 200 Chapter 14. The State Investment Commission, comprised of the Governor, the Treasurer, Secretary of the Finance and Administration Cabinet, and gubernatorial appointees of the Community Independent Banker's Association and Kentucky Banker's Association, is charged with the oversight of the Commonwealth's investment activities. The Commission is required to meet at least quarterly, and delegates day to day investment management to the Office of Financial Management.

At June 30, 2001, the Commonwealth's operating portfolio was approximately \$3.6 billion in cash and securities. The composition of investments was as follows: U.S. Treasury Securities (17%); securities issued by agencies, corporations and instrumentalities of the United States Government, including mortgage backed securities and collateralized mortgage obligations (42 %); repurchase agreements collateralized by the aforementioned (12%); municipal securities (4%); and corporate and asset backed securities, including money market securities (25%). The portfolio has a current yield of 4.69% and modified duration of 1.5 years. Investment income through June 30, 2001 was \$316 million versus \$160 million the previous fiscal year.

The Commonwealth's investments are categorized into four investment pools: Short-Term, Intermediate-Term, Long-Term, and Bond Proceeds Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease administration and increase accountability and control. The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity to the remaining pools. The Intermediate Pool represents Agency Fund investments, state held component unit funds and fiduciary fund accounts held for the benefit of others by the state. The Long Term Pool invests the Budget Reserve Trust Fund and other funds deemed appropriate for the pool where liquidity is not a serious concern. The Bond Proceeds Pool is where bond proceeds for capital construction projects are held until expended for their intended purpose.

The Commonwealth of Kentucky engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The State Investment Commission expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of transactions which may be considered derivative transactions, which include: the securities lending program, over-the-counter treasury options, interest rate swaps, and more recently the purchase of mortgage backed securities, and collateralized mortgage obligations.

The Commonwealth has used over-the-counter treasury options since the mid-1980's to hedge and add value to the portfolio of treasury securities. These transactions involve the purchase and sale of put and call options on a covered basis, holding either cash or securities sufficient to meet the obligation should it be exercised. The State Investment Commission limits the total option commitment to no more than twenty percent of the total portfolio of treasury and agency securities. Historically, actual commitments have been less than ten percent of the portfolio.

The Commonwealth has had a securities lending program since the mid-1980's. The state is able to enter into either a principal relationship or an agency relationship. In a principal relationship the state reverses its treasury and agency securities in exchange for 102% of eligible collateral, marked to market daily. Eligible collateral is defined as securities authorized for purchase pursuant to KRS 42.500. In an agency program the agent lends the states treasuries and agencies, takes the cash received from the loan and invests it in securities authorized for purchase pursuant to KRS 42.500. The income generated by these transactions is split between the agent and the state. At the present time the state has entered into an agent agreement that has a guarantee of 14 basis points of the average market value of securities in the program.

On September 28, 1995, the State Investment Commission adopted resolution 95-03, which re-authorized interest rate swap transactions in a notional amount not to exceed \$200 million outstanding, using the International Swap Dealers Association, Inc. Master Agreement and applicable appendices. The Commonwealth engages in asset-based interest rate swaps to better manage its duration and to stabilize the volatility of interest income. Currently, the Commonwealth has no asset-based swap transactions outstanding.

House Bill 5 of the First Extraordinary Session of 1997 was enacted on May 30, 1997. The bill amended KRS 42.500 to authorize the purchase of additional investment securities with excess funds available for investment. The new classes of investment securities include: United States dollar denominated corporate securities, issued by foreign and domestic issuers, including sovereign and supernatural governments, rated in one of the three highest categories by a nationally recognized rating agency, and asset backed securities rated in the highest category by a nationally recognized rating agency.

KAR Title 200 Chapter 14 provides, among other things that: corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to twenty-five million per issuer and a stated maturity of five (5) years or less. Money market securities ranked A1-P1 or higher are limited to 20% of any investment pool when combined with corporate and Asset Backed Securities and must not exceed 25% of any investment pool. Asset Backed Securities must have a weighted-average-life of not more than four (4) years at the time of purchase. United States Agency Mortgage Backed Securities ("MBS") and Collateralized Mortgage Obligations ("CMO") are also limited to a maximum of twenty-five 25% of any investment portfolio. MBS must have a stated final maturity of ten (10) years or less with a weighted-average-life of not more than four (4) years at the time of purchase. CMO must have a weighted-average-life of four (4) years or less at time of purchase.

### ***Risk Management***

The Division of Risk Management (DRM) oversees and coordinates risk management and insurance responsibilities among various state agencies in accordance with KRS 42.0245. For the year ended June 30, 2001, the Division achieved a cash savings of \$734,310 by obtaining lower bids from improved insurance bid specifications and by seeking broader markets. Risk exposures in the amount of \$140,085 were eliminated for state agencies' properties that were either uninsured or underinsured and a \$2,493,858 risk exposure was identified and insured for the Finance and Administration Cabinet's Office of Technology Operations. The Finance and Administration Cabinet insures property, computers, vehicles, telephones, fidelity bonds, and workers' compensation with a total insurance value of \$375 million annually for a premium of \$200,000.

New risk management initiatives fully implemented for the year included developing computer applications for the processing and payment of insurance premiums and obtaining hard to place coverage for the State Employee Blanket Crime Dishonesty Coverage and the Foster Parent Liability program. In addition, a Performance Measurement Method was developed for evaluating risk management activities.

Currently, the Commonwealth's two major self-insurance programs include the State Fire and Tornado Insurance Fund for property and casualty coverage; and the State Self Insurance Fund for Workers' Compensation benefits. The Finance and Administration Cabinet, in accordance with KRS 45A.022, purchases insurance policies to transfer to insurance companies other financial and catastrophic risks for various state agencies not assumed by these programs. As of June 30, 1999, the Commonwealth terminated the self-insured Kentucky Kare program and offered coverage for health benefits through competitive bidding with the private health insurance markets.

The Fire and Tornado Insurance Fund consists of "premiums" charged to state agencies and universities. Current annual "premiums" of \$6.4 million insure \$7.6 billion in property assets for 6,800 facilities throughout the state. Computers, telephones, fine arts and other insured assets total \$1.4 billion. By statute, the Fund must have a reserve of \$5.0 million at the close of each fiscal year. All losses are reinsured to limit fund liability to \$300,000 for any one loss to each subject of risk. The premium for reinsurance is \$1,355,000 annually. For the year ended June 30, 2001, the Fund paid 278 claims in the amount of \$1,622,988. Earthquake and Flood Coverage for state facilities are available as additional insured perils in the Fund.

The State Self-Insured Workers' Compensation Trust Fund provides workers' compensation coverage for state employees. At June 30, 2001, the State program had assets of \$17.3 million and an unreserved accumulated deficit of \$63.9 million. Premium income for the fiscal year decreased from \$17.0 million to \$13.5 million and the unreserved accumulated deficit increased \$21.7 million from the previous fiscal year. The Fund carries reinsurance coverage for large individual or incident claims of \$5 million with limits of \$25 million. The amount of claims paid for the fiscal year was \$32.8 million, which is \$14.0 million or a 17.5% increase over fiscal year 2000. The Transportation Cabinet has a separate self insured workers' compensation fund for its employees. As of June 30, 2001, the Fund has unpaid claims of \$13.3 million. Total expenditures for the year were \$3.6 million in administration and claims. The fund carries reinsurance coverage for claims exceeding \$1 million with limits of \$10 million.

### ***Capital Projects Fund***

Proceeds of certain bond issues and other appropriated monies to be used for projects related to economic development and the construction, improvement, and maintenance of the Commonwealth's physical plant are accounted for in the Capital Projects Fund until such projects are completed. Completed construction and improvement projects are capitalized in the appropriate proprietary fund or General Fixed Assets Account Group at year end. All uncompleted construction in progress is capitalized in the General Fixed Assets Account Group or appropriate proprietary fund. During 2001, projects costing \$79,968 million were completed.

### ***Proprietary Funds***

Combined operating revenues of the primary government's Enterprise Funds increased from \$751.1 million for 2000, to \$768.8 million in 2001. Combined operating expenses of these funds decreased from \$673.5 million for 2000 to \$643.8 million in 2001. The Kentucky Lottery Corporation paces Enterprise Fund activity with operating revenues and expenses of \$590.9 million and \$419.20 million. At June 30, 2001, there are no outstanding revenue bonds in the State Parks Fund or other blended component units.

Combined operating revenues and expenses of discretely presented component units accounted for in proprietary fund types were \$258.6 million and \$343.1 million for 2001, compared to \$231.5 million and \$293.7 million in 2000. The Kentucky Housing Corporation leads such activity with operating revenues and expenses of \$101.2 million and \$87.0 million, respectively. At June 30, 2001, outstanding revenue bonds for the discretely presented component units totaled \$2.00 billion, of which \$1.14 billion is accounted for in the Kentucky Housing Corporation.

Combined operating revenues and expenses for the Commonwealth's Internal Service Funds amounted to \$143.8 million and \$182.0 million, as compared to 2000 totals of \$131.8 million and \$151.9 million. The internal service operations provided include, but are not limited to, data processing, telecommunications, property management, and insurance administration.

Proprietary funds receive budgeted operating transfers of General Fund appropriations.



### ***Pension Trust Funds***

The Commonwealth administers separate retirement systems for Kentucky employees, State Police officers, public school teachers, judges, legislators and county employees. At June 30, 2001, combined total assets for these plans reached \$28.45 billion. The aggregate operating revenue of these funds was \$181.73 million, including interest and investment income of \$519.65 million. Total operating expenses were \$1.60 billion, including retirement benefits paid of \$1.40 billion.

These retirement systems are as follows: Kentucky Employees Retirement System; State Police Retirement System; County Employees Retirement System; Teachers' Retirement System; and the Judicial Form Retirement System (including both the Judicial Retirement Fund and the Legislators' Retirement Fund).

### ***University and College Funds***

The eight state-supported universities and Kentucky Community and Technical College System (KCTCS) are discretely presented component units accounted for in the University and College Funds. University and College Current Funds revenue rose from \$1.49 billion in 2000 to \$1.59 billion in 2001 for an increase of 6.9%. State appropriations transferred from the General Fund to these funds went up 5.7% to \$932.75 million. Current fund expenditures and transfers increased 7.0% during 2001, to \$2.58 billion. At June 30, 2001, outstanding revenue bonds for the state supported universities and KCTCS total \$627.26 million, of which \$229.83 million is accounted for by the University of Kentucky and \$141.70 million is accounted for by the University of Louisville.

### ***General Fixed Assets***

The general fixed assets of the Commonwealth are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of the Enterprise, Internal Service, and Component Units Funds. At June 30, 2001, the general fixed assets of Kentucky amounted to \$1.12 billion. This amount represents the valuation of general fixed assets in accordance with GAAP as described in the Notes to the Financial Statements. Depreciation of general fixed assets is not recognized in the Commonwealth's accounting system.

## **OTHER INFORMATION**

### ***Independent Audit***

The accompanying financial statements have been audited by the Office of the Auditor of Public Accounts of the Commonwealth of Kentucky. Their examination was conducted in accordance with generally accepted government auditing standards, and the report of the independent auditor appears elsewhere in this report.

### ***Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual Financial Report for the year ended June 30, 2000. This is the fourteenth consecutive year the Commonwealth has received this prestigious award.

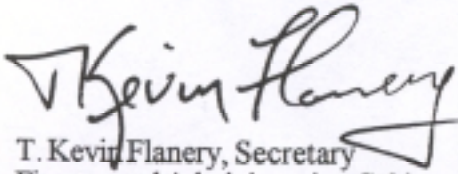
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

### *Acknowledgments*

The preparation of this report could not have been accomplished without the cooperation of all branches and agencies of the Commonwealth. The professionalism demonstrated by the staffs of the Finance and Administration Cabinet's Divisions of Statewide Accounting Services and Printing, as well as the Office of the Auditor of Public Accounts, is especially noteworthy. Their combined dedication made the publication of this report possible.

Respectfully submitted,

A handwritten signature in dark ink, reading "T. Kevin Flanery". The signature is fluid and cursive, with a large, stylized "T" and "K".

T. Kevin Flanery, Secretary  
Finance and Administration Cabinet





Finance and Administration Cabinet

**Office of the Controller**

Capitol Annex Building  
702 Capitol Avenue, Room 393  
Frankfort, Kentucky 40601-3448  
(502) 564-2210  
Fax (502) 564-6597

Edgar C. Ross  
Controller

Paul E. Patton  
Governor  
T. Kevin Flanery  
Secretary

January 4, 2002

The Honorable T. Kevin Flanery  
Secretary, Finance and Administration Cabinet  
383 New Capitol Annex  
Frankfort, Kentucky

Dear Secretary Flanery:

Pursuant to Section 48.800 (3) of the Kentucky Revised Statutes, the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Kentucky for the fiscal year ended June 30, 2001, is submitted herewith. It contains all funds, account groups, and entities that are controlled by or dependent on the Commonwealth based on the criteria developed by the Governmental Accounting Standards Board (GASB) in its Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The basis of accounting upon which the report has been prepared complies with accounting principles generally accepted in the United States of America for state governments as prescribed by both GASB and the American Institute of Certified Public Accountants' (AICPA) publication Audits of State and Local Governmental Units.

The information presents fairly and fully discloses the financial position and results of financial operations of the Commonwealth for the reporting period as measured by the financial activity of the various funds. All appropriate disclosures necessary to assist readers in their understanding and evaluation of Kentucky's financial condition have been included in this report.

Respectfully submitted,

Edgar C. Ross, Controller





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of  
Kentucky

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Imelda D. Druce*  
President

*Jeffrey L. Esser*  
Executive Director

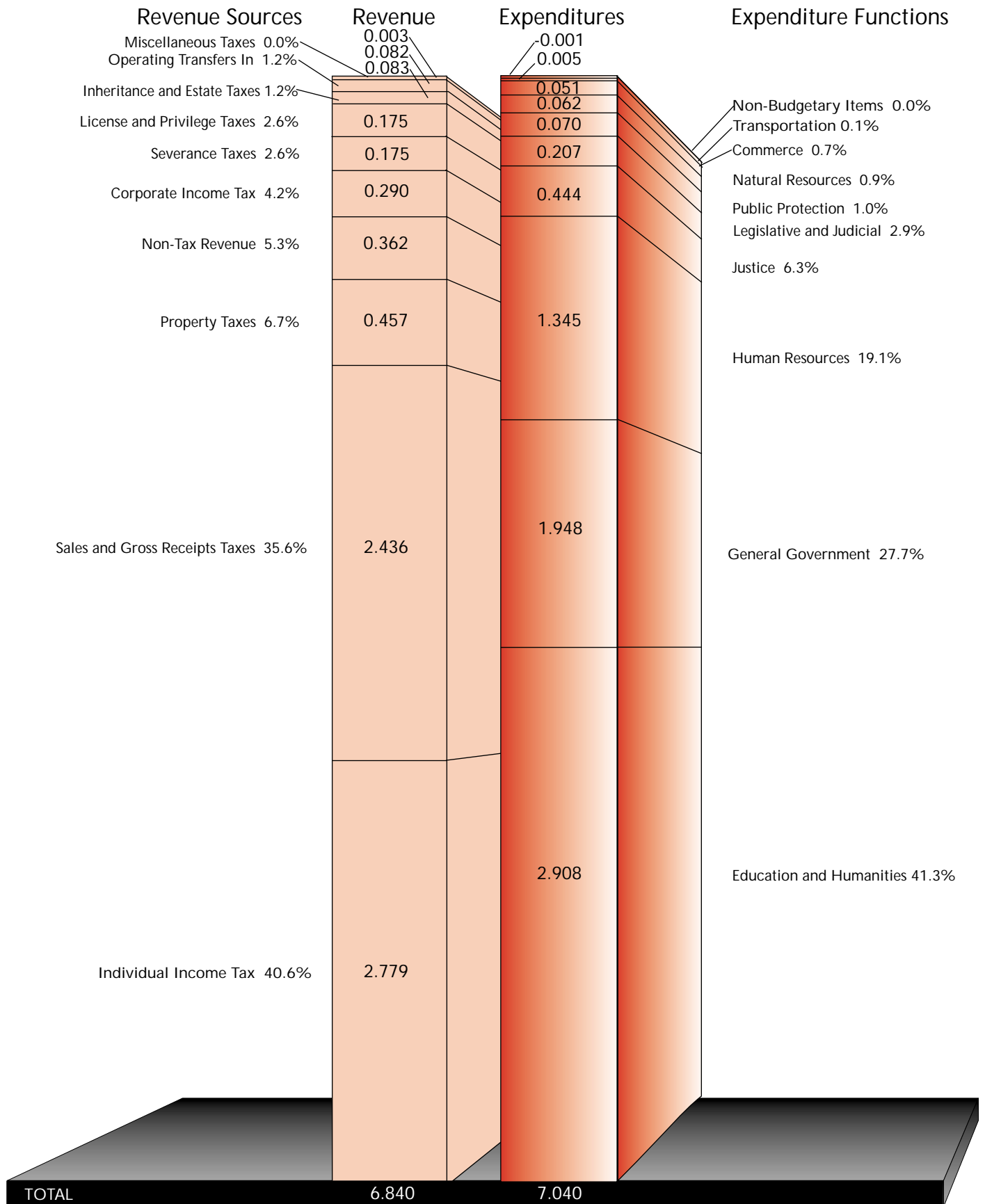


# Chart 1

## General Fund - Budgetary Basis

### Fiscal Year 2001

(Amounts expressed in billions)

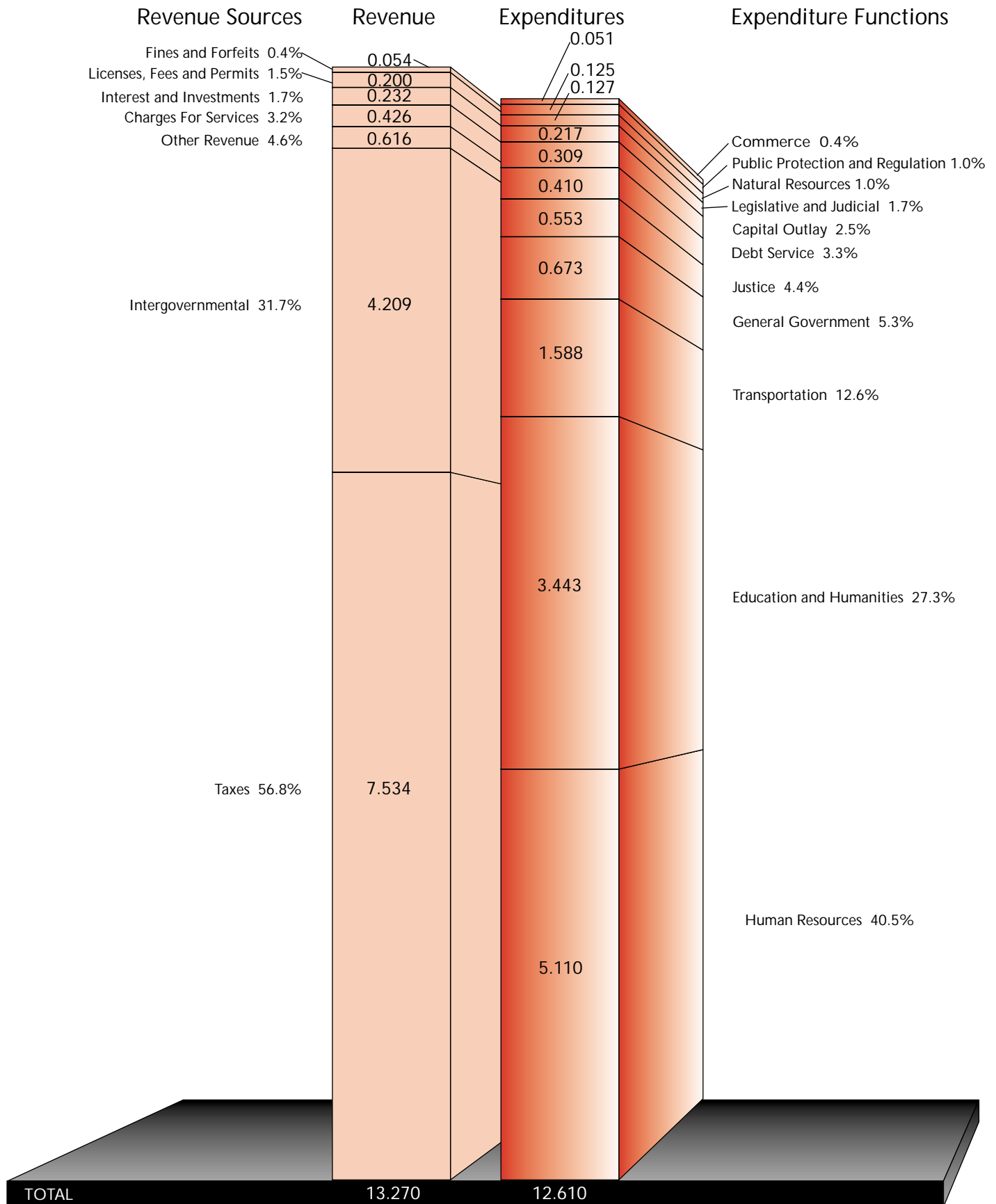


# Chart 2

## Governmental Funds - GAAP Basis

### Fiscal Year 2001

(Amounts expressed in billions)





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

**Independent Auditor's Report**

To the People of Kentucky  
The Honorable Paul E. Patton, Governor  
Mr. T. Kevin Flanery, Secretary  
Finance and Administration Cabinet

We have audited the accompanying general-purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We did not audit the financial statements of the Kentucky Turnpike Authority, Bluegrass State Skills Corporation, and the Transportation Cabinet's portion of the governmental funds within the governmental fund types; the Kentucky Lottery Corporation, Workers' Compensation Special Fund, Petroleum Storage Tank Assurance Program, Transportation Cabinet's Fleet Management Fund and Self-Insured Workers' Compensation Trust Funds within the proprietary fund types; the Pension Trust Funds and Transportation Cabinet's portion of the Agency Funds within the fiduciary fund types; and universities and colleges and certain other discretely presented component units. These organizational units represent 32.6, 61.6, 93.9, and 99.9 percent of total assets of their respective fund types or component unit; 15.2, 85.3, 46.3, and 99.9 percent of total revenues/additions; and 15.3, 76.9, 66.8, and 99.9 percent of total expenditures/expenses/deductions of the related combined totals of the fund types—governmental, proprietary, fiduciary, and discretely presented component units, respectively. We also did not audit certain fixed assets, which represent 21.7 percent of the General Fixed Assets Account Group. In addition, we did not audit certain long-term obligation accounts, which comprise 40.0 percent of the total liabilities in the General Long-Term Obligations Account Group. These organizational unit financial statements were audited by other auditors whose reports thereon were furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the organizational units, the fixed assets, and the long-term obligations referenced above, is based on the reports of the other auditors.



To the People of Kentucky  
The Honorable Paul E. Patton, Governor  
Mr. T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Page 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Kentucky as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The combining and individual fund and account group financial statements and schedules included in this report on pages 80 through 169 are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Commonwealth of Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The Introductory and Statistical Sections presented in this report on pages 1 through 18 and 170 through 182 are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Commonwealth of Kentucky. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it.

To the People of Kentucky  
The Honorable Paul E. Patton, Governor  
Mr. T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Page 3

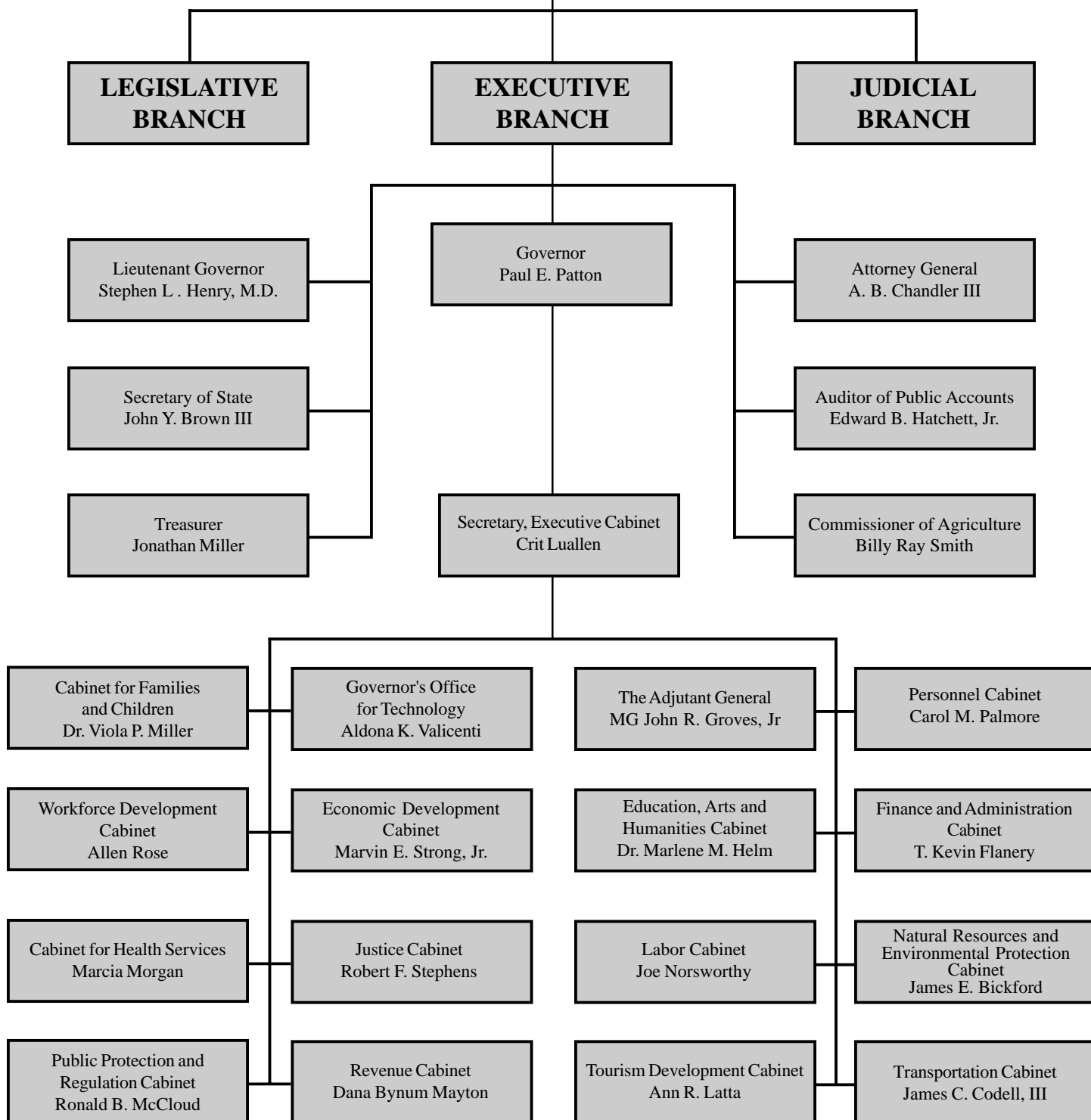
In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the Commonwealth of Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.

December 21, 2001



\* Principal Officials at June 30, 2001

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## **FINANCIAL SECTION**

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## **GENERAL PURPOSE FINANCIAL STATEMENTS**

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**COMMONWEALTH OF KENTUCKY**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	Governmental Fund Types					
	General	Special Revenue	Debt Service	Capital Projects		
<b><u>ASSETS AND OTHER DEBITS</u></b>						
CASH AND CASH EQUIVALENTS (NOTE 5)	\$ 147,395	\$ 291,684	\$ 97	\$ 36,201	\$	
CASH WITH FISCAL AGENTS (NOTE 5)			39,555			
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT (NOTE 5)						
RESTRICTED CASH (NOTE 5)		11,089				
INVESTMENTS, NET OF AMORTIZATION (NOTE 5)	260,357	1,175,578	196,571	305,976		
RECEIVABLES, NET (NOTE 1)	560,469	889,049	11,064	27,660		
INTERFUND RECEIVABLES (NOTE 7)	7,163	258,526	66,900	24		
DUE FROM COMPONENT UNITS (NOTE 7)						
INVENTORIES	11,022	40,188				
PREPAID EXPENSES						
DEFERRED CHARGES						
RESTRICTED ASSETS (NOTE 5)						
LAND						
IMPROVEMENTS OTHER THAN BUILDINGS						
BUILDINGS						
MACHINERY AND EQUIPMENT						
LESS: ACCUMULATED DEPRECIATION						
CONSTRUCTION IN PROGRESS						
OTHER ASSETS						
AMOUNTS AVAILABLE FOR DEBT SERVICE						
AMOUNTS TO BE PROVIDED IN FUTURE YEARS FOR LONG-TERM BONDS						
AMOUNTS TO BE PROVIDED IN FUTURE YEARS FOR RETIREMENT OF GENERAL LONG-TERM OBLIGATIONS						
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 986,406</u>	<u>\$ 2,666,114</u>	<u>\$ 314,187</u>	<u>\$ 369,861</u>	<u>\$</u>	
<b><u>LIABILITIES, EQUITY AND OTHER CREDITS</u></b>						
LIABILITIES:						
ACCOUNTS PAYABLE	\$ 260,570	\$ 735,432	\$ 35	\$ 23,179	\$	
TAX REFUNDS PAYABLE	207,318					
ACCRUED LIABILITIES						
INTERFUND PAYABLES (NOTE 7)	16,345	321,799		76		
DUE TO COMPONENT UNITS (NOTE 7)						
DUE TO PRIMARY GOVERNMENT (NOTE 7)						
CLAIMS LIABILITY						
CLAIMS ADJUSTMENT LIABILITIES						
CAPITAL LEASE OBLIGATIONS (NOTE 10)						
NOTES PAYABLE (NOTE 15)						
BONDS PAYABLE (NOTE 15)						
COMPENSATED ABSENCES (NOTE 1)						
AMOUNTS HELD IN CUSTODY FOR OTHERS						
DEPOSITS AND ADVANCE PAYMENTS						
DEFERRED REVENUE	106,986	188,870	3,226	35,877		
OTHER LIABILITIES						
JUDGEMENTS AND CONTINGENCIES						
TOTAL LIABILITIES	<u>591,219</u>	<u>1,246,101</u>	<u>3,261</u>	<u>59,132</u>		
EQUITY AND OTHER CREDITS:						
CONTRIBUTED CAPITAL (NOTE 1)						
INVESTMENT IN FIXED ASSETS (NOTE 1)						
RETAINED EARNINGS:						
RESERVED FOR:						
REVENUE BOND RETIREMENT						
UNRESERVED						
FUND BALANCE (NOTE 1)						
RESERVED FOR:						
ENCUMBRANCES		214,318		81,770		
STATUTORY OBLIGATIONS	153,203	42,679				
CAPITAL OUTLAY				529,164		
REVENUE BOND RETIREMENT						
EMPLOYEE RETIREMENT SYSTEM						
RETIREE'S HEALTH INSURANCE						
OTHER SPECIFIC PURPOSES (NOTE 1)	250,854	51,277	28,273			
UNRESERVED:						
DESIGNATED FOR HIGHWAY CONSTRUCTION		471,158				
DESIGNATED FOR DEBT SERVICE			282,653			
DESIGNATED FOR UNIVERSITIES AND COLLEGES						
UNDESIGNATED	(8,870)	640,581		(300,205)		
TOTAL EQUITY AND OTHER CREDITS	<u>395,187</u>	<u>1,420,013</u>	<u>310,926</u>	<u>310,729</u>		
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 986,406</u>	<u>\$ 2,666,114</u>	<u>\$ 314,187</u>	<u>\$ 369,861</u>	<u>\$</u>	

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals	Component	Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government (Memorandum Only)	Units	Reporting Entity (Memorandum Only)
72,128	\$ 5,854	\$ 3,306,958	\$	\$	\$ 3,860,317	\$ 1,240,274	\$ 5,100,591
		18,096			57,651		57,651
		643,637			643,637		643,637
					11,089	83,503	94,592
696,002	27,380	25,944,907			28,606,771	1,230,764	29,837,535
52,926	1,158	338,371			1,880,697	2,454,512	4,335,209
203	5,805	17,198			355,819		355,819
						109,314	109,314
3,482	4,039				58,731	23,128	81,859
697	2,427	197			3,321	1,635	4,956
						28,928	28,928
						11,324	11,324
15,344	6,295		85,535		107,174	115,291	222,465
63,864	3,163				67,027	84,909	151,936
145,773	196,336	4,041	516,856		863,006	2,583,060	3,446,066
46,729	124,612		328,073		499,414	972,941	1,472,355
(133,017)	(176,687)				(309,704)	(251,860)	(561,564)
68,506	1,979		191,545		262,030	276,246	538,276
				310,926	310,926	345,452	345,452
							310,926
						629,365	629,365
				3,366,524	3,366,524		3,366,524
1,032,637	\$ 202,361	\$ 30,273,405	\$ 1,122,009	\$ 3,677,450	\$ 40,644,430	\$ 9,938,786	\$ 50,583,216
19,960	\$ 11,405	\$ 161,147	\$	\$	\$ 1,211,728	\$ 181,807	\$ 1,393,535
					207,318		207,318
						93,612	93,612
12,843	251	4,483			355,797		355,797
						109,314	109,314
						22	22
1,283,117	98,774				1,381,891		1,381,891
76,641					76,641		76,641
76	4,554			2,153	6,783	95,576	102,359
1,697				73,875	75,572	48,615	124,187
				2,944,839	2,944,839	3,303,597	6,248,436
8,279	7,088			236,469	251,836	4,124	255,960
		240,932			240,932	3,214	244,146
						6,375	6,375
70	4,731	57,414			397,174	62,759	459,933
263,751		2,630,039		77,731	2,971,521	124,243	3,095,764
				342,383	342,383		342,383
1,666,434	126,803	3,094,015		3,677,450	10,464,415	4,033,258	14,497,673
154,965	83,111		1,122,009		238,076	141,161	379,237
					1,122,009	3,077,863	4,199,872
(788,762)	(7,553)				(796,315)	368,974	368,974
						564,339	(231,976)
					296,088	15,119	311,207
					195,882		195,882
					529,164	383,861	913,025
		24,596,131			24,596,131		24,596,131
		1,181,917			1,181,917		1,181,917
					330,404	1,046,212	1,376,616
					471,158		471,158
					282,653		282,653
		1,401,342			1,732,848	284,110	284,110
						23,889	1,756,737
(633,797)	75,558	27,179,390	1,122,009		30,180,015	5,905,528	36,085,543
1,032,637	\$ 202,361	\$ 30,273,405	\$ 1,122,009	\$ 3,677,450	\$ 40,644,430	\$ 9,938,786	\$ 50,583,216

**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
**(Expressed in Thousands)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES (NOTE 1):				
TAXES	\$ 6,369,964	\$ 1,164,137	\$	\$
LICENSES, FEES, AND PERMITS	26,156	174,083		
INTERGOVERNMENTAL	6,577	4,185,573		16,481
CHARGES FOR SERVICES	4,916	419,551	1,706	
FINES AND FORFEITS	45,339	8,958		
INTEREST AND OTHER INVESTMENT INCOME	63,524	65,836	23,547	60,616
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	(676)	5,518	13,685	50
OTHER REVENUES	116,738	478,432		21,191
TOTAL REVENUES	6,632,538	6,502,088	38,938	98,338
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	366,370	306,235		
LEGISLATIVE AND JUDICIAL	207,024	9,584		
COMMERCE	17,312	33,971		
EDUCATION AND HUMANITIES	2,846,416	596,325		
HUMAN RESOURCES	1,375,749	3,734,616		
JUSTICE	453,675	99,824		
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	61,932	65,116		
PUBLIC PROTECTION AND REGULATION	49,825	74,900		
TRANSPORTATION	5,249	1,582,803		
CAPITAL OUTLAY				309,011
DEBT SERVICE:				
PRINCIPAL RETIREMENT			265,689	
INTEREST AND FISCAL CHARGES			181,006	
OTHER EXPENDITURES			(36,637)	
TOTAL EXPENDITURES	5,383,552	6,503,374	410,058	309,011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,248,986	(1,286)	(371,120)	(210,673)
OTHER FINANCING SOURCES (USES)				
OPERATING TRANSFERS IN	238,021	695,246	335,640	
TRANSFERS FROM COMPONENT UNITS	942			
OPERATING TRANSFERS OUT	(303,027)	(932,365)	(3,089)	(313,539)
TRANSFERS FROM PRIMARY GOVERNMENT				
TRANSFERS TO COMPONENT UNITS	(1,428,957)			
PROCEEDS FROM SALE OF BONDS:				
NEW ISSUES				516,697
REFUNDING ISSUES			410,706	
CAPITALIZED LEASES	856	85		
NOTES PAYABLE		100,400		
PAYMENTS TO REFUNDED BOND ESCROW AGENTS			(463,429)	
TOTAL OTHER FINANCING SOURCES (USES)	(1,492,165)	(136,634)	279,828	203,158
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(243,179)	(137,920)	(91,292)	(7,515)
FUND BALANCE AT JULY 1 (NOTE 2), AS RESTATED	638,366	1,557,933	402,218	318,244
FUND BALANCE AT JUNE 30	\$ 395,187	\$ 1,420,013	\$ 310,926	\$ 310,729

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

<b>Fiduciary Fund Type</b>	<b>Totals</b>	<b>Component</b>	<b>Totals</b>
<b>Expendable</b>	<b>Primary Government</b>	<b>Units</b>	<b>Reporting Entity</b>
<b>Trust</b>	<b>(Memorandum Only)</b>		<b>(Memorandum Only)</b>
235,991	\$ 7,770,092	\$	\$ 7,770,092
	200,239		200,239
18,320	4,226,951		4,226,951
66,622	492,795		492,795
	54,297		54,297
24,973	238,496	2,440	240,936
5,757	24,334	5	24,339
28,146	644,507	1,674	646,181
379,809	13,651,711	4,119	13,655,830
224,760	897,365		897,365
	216,608		216,608
21	51,304	73,503	124,807
437,312	3,880,053		3,880,053
14,270	5,124,635		5,124,635
314	553,813		553,813
	127,048		127,048
	124,725		124,725
43,191	1,631,243		1,631,243
	309,011		309,011
	265,689	41,082	306,771
	181,006	29,730	210,736
	(36,637)		(36,637)
719,868	13,325,863	144,315	13,470,178
(340,059)	325,848	(140,196)	185,652
378,115	1,647,022		1,647,022
	942		942
(30,914)	(1,582,934)		(1,582,934)
		110,395	110,395
	(1,428,957)	(53,118)	(1,482,075)
	516,697	68,089	584,786
	410,706		410,706
	941		941
	100,400		100,400
	(463,429)		(463,429)
347,201	(798,612)	125,366	(673,246)
7,142	(472,764)	(14,830)	(487,594)
1,394,200	4,310,961	38,719	4,349,680
1,401,342	\$ 3,838,197	\$ 23,889	\$ 3,862,086



**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND**  
**DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	General Fund			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 6,379,700	\$ 6,371,310	\$ (8,390)	\$ 903,255	\$ 898,646	\$ (4,609)
LICENSES, FEES, AND PERMITS	18,500	26,156	7,656	109,603	102,025	(7,578)
INTERGOVERNMENTAL	6,200	6,094	(106)			
CHARGES FOR SERVICES	2,800	4,930	2,130	20,295	21,658	1,363
FINES AND FORFEITS	43,700	45,339	1,639	25	10	(15)
INTEREST AND OTHER INVESTMENT INCOME	27,900	28,223	323	29,500	40,187	10,687
LOTTERY PROCEEDS	157,000	157,030	30			
OTHER REVENUES	17,800	120,529	102,729	540	1,382	842
TRANSFERS IN						
TOTAL BUDGETED REVENUES	6,653,600	6,759,611	106,011	1,063,218	1,063,908	690
NON-BUDGETED:						
TAXES					194,009	
LICENSES, FEES, AND PERMITS					72,939	
INTERGOVERNMENTAL					4,301,005	
CHARGES FOR SERVICES					1,580,458	
FINES AND FORFEITS					3,362	
INTEREST AND OTHER INVESTMENT INCOME					32,992	
EMPLOYER CONTRIBUTIONS					177	
OTHER REVENUES		2	2		286,297	
ESCHEAT					281	
TRANSFERS IN (INTERFUND)		82,074	82,074		476,311	
TRANSFERS IN (INTRAFUND)					1,053,337	
TOTAL NON-BUDGETED REVENUES		82,076	82,076		8,001,168	
TOTAL REVENUES	6,653,600	6,841,687	188,087		9,065,076	
EXPENDITURES:						
GENERAL GOVERNMENT	2,075,552	1,947,924	127,628	2,167,427	1,456,094	711,333
LEGISLATIVE AND JUDICIAL	239,000	206,935	32,065	19,493	9,444	10,049
COMMERCE	58,911	51,411	7,500	39,062	36,833	2,229
EDUCATION AND HUMANITIES	2,908,940	2,908,241	699	727,153	604,126	123,027
HUMAN RESOURCES	1,346,354	1,345,169	1,185	3,852,367	3,740,320	112,047
JUSTICE	444,018	443,677	341	147,335	134,309	13,026
NATURAL RESOURCES AND						
ENVIRONMENTAL PROTECTION	62,253	62,205	48	96,877	66,424	30,453
PUBLIC PROTECTION AND						
REGULATION	71,255	69,635	1,620	87,255	77,191	10,064
TRANSPORTATION	9,842	5,300	4,542	3,172,305	1,729,358	1,442,947
TOTAL EXPENDITURES	7,216,125	7,040,497	175,628	10,309,274	7,854,099	2,455,175
EXCESS OF REVENUES OVER						
(UNDER) EXPENDITURES	(562,525)	(198,810)	363,715		1,210,977	
OTHER FINANCING SOURCES (USES):						
PROCEEDS FROM SALE OF BONDS					100,400	
TOTAL OTHER FINANCING SOURCES (USES)					100,400	
EXCESS OF REVENUES AND OTHER						
FINANCING SOURCES OVER (UNDER)						
EXPENDITURES AND OTHER						
FINANCING USES	(562,525)	(198,810)	363,715		1,311,377	
FUND BALANCE/FUND EQUITY AT JULY 1, AS RESTATED	593,044	593,044			1,296,646	
NON-BUDGETED ITEMS		1,145	1,145		(1,279,477)	
FUND BALANCE/FUND EQUITY AT JUNE 30	\$ 30,519	\$ 395,379	\$ 364,860	\$	\$ 1,328,546	\$

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Enterprise			Internal Service			Expendable Trust		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	649							
	20						18,320	
	132,513			132,945				
	410							
	8,632			332			44,608	
	39,766			7,895			235,864	
							5,981	
	60,370			254			47	
	156,219			1,629				
	398,579			143,055			304,820	
	398,579			143,055			304,820	
4,890	4,563	327	106,218	100,190	6,028			
56,114	56,111	3						
						389,099	368,256	20,843
			13,383	13,382	1			
719	101	618						
325,809	284,809	41,000	622	619	3			
			23,947	20,018	3,929			
387,532	345,584	41,948	144,170	134,209	9,961	389,099	368,256	20,843
	52,995			8,846			(63,436)	
	52,995			8,846			(63,436)	
	346,552			84,283			720,083	
	(48,949)			(9,988)			(7,612)	
\$	\$ 350,598	\$	\$	\$ 83,141	\$	\$	\$ 649,035	\$

**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND**  
**DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Component Units		
	Budget	Actual	Variance
REVENUES:			
BUDGETED:			
TAXES	\$	\$	\$
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES			
FINES AND FORFEITS			
INTEREST AND OTHER INVESTMENT INCOME			
LOTTERY PROCEEDS			
OTHER REVENUES			
TRANSFERS IN			
TOTAL BUDGETED REVENUES			
NON-BUDGETED:			
TAXES			
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES		31,321	
FINES AND FORFEITS			
INTEREST AND OTHER INVESTMENT			
EMPLOYER CONTRIBUTIONS			
OTHER REVENUES		37	
TRANSFERS IN (INTERFUND)		51	
TRANSFERS IN (INTRAFUND)		371	
TOTAL NON-BUDGETED REVENUES		31,780	
TOTAL REVENUES		31,780	
EXPENDITURES:			
GENERAL GOVERNMENT			
LEGISLATIVE AND JUDICIAL			
COMMERCE	28,334	27,628	706
EDUCATION AND HUMANITIES			
HUMAN RESOURCES			
JUSTICE			
NATURAL RESOURCES AND			
ENVIRONMENTAL PROTECTION			
PUBLIC PROTECTION AND			
REGULATION			
TRANSPORTATION			
TOTAL EXPENDITURES	28,334	27,628	706
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES		4,152	
OTHER FINANCING SOURCES (USES):			
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER (UNDER)			
EXPENDITURES AND OTHER			
FINANCING USES		4,152	
FUND BALANCES/FUND EQUITY AT JULY 1		133,448	
NON-BUDGETED ITEMS		(3,042)	
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 134,558	\$

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 173,128	\$ 142,547	\$ 315,675	\$ 68,376	\$ 384,051
INTEREST AND OTHER INVESTMENT INCOME	2,561		2,561	162,510	165,071
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	(1,055)	334	(721)	1	(720)
LOTTERY PROCEEDS	590,851		590,851		590,851
OTHER REVENUES	3,320	926	4,246	27,735	31,981
TOTAL OPERATING REVENUES	768,805	143,807	912,612	258,622	1,171,234
OPERATING EXPENSES:					
PERSONAL SERVICES	80,194	52,820	133,014	53,207	186,221
UTILITIES, RENTALS, AND OTHER SERVICES	16,647	33,265	49,912	23,281	73,193
COMMODITIES AND SUPPLIES	28,466	35,223	63,689	2,423	66,112
GRANTS AND SUBSIDIES	2,115	803	2,918	87,990	90,908
DEPRECIATION AND AMORTIZATION	8,671	19,055	27,726	16,683	44,409
INTEREST				113,320	113,320
TRAVEL	1,264	589	1,853	1,372	3,225
REINSURANCE EXPENSE		1,126	1,126		1,126
CLAIMS EXPENSE	85,911	39,072	124,983		124,983
CLAIM ADJUSTMENT EXPENSE	765		765		765
PRIZE EXPENSE	419,198		419,198		419,198
OTHER EXPENSES	560		560	44,723	45,283
TOTAL OPERATING EXPENSES	643,791	181,953	825,744	342,999	1,168,743
OPERATING INCOME (LOSS)	125,014	(38,146)	86,868	(84,377)	2,491
NONOPERATING REVENUE (EXPENSES):					
INTERGOVERNMENTAL REVENUE				2,332	2,332
GRANTS AND DONATIONS				21,347	21,347
MEMBERSHIP REVENUE				280	280
KENTUCKY CENTER FOR THE ARTS ENDOWMENT				735	735
GAIN (LOSS) ON SALE OF FIXED ASSETS	675	(133)	542	(308)	234
INTEREST AND OTHER INVESTMENT INCOME	24,732	431	25,163	8,148	33,311
INTEREST EXPENSE	(7)	(633)	(640)		(640)
OTHER REVENUES (EXPENSES)	113,715	(2,456)	111,259	2,765	114,024
TOTAL NONOPERATING REVENUES (EXPENSES)	139,115	(2,791)	136,324	35,299	171,623
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS	264,129	(40,937)	223,192	(49,078)	174,114
OPERATING TRANSFERS IN	99,446	19,268	118,714		118,714
TRANSFERS FROM PRIMARY GOVERNMENT				100,615	100,615
OPERATING TRANSFERS OUT	(172,940)	(9,862)	(182,802)		(182,802)
TRANSFERS TO PRIMARY GOVERNMENT				(926)	(926)
TRANSFERS TO COMPONENT UNITS				(3,000)	(3,000)
NET INCOME (LOSS)	190,635	(31,531)	159,104	47,611	206,715
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	2,034	2,233	4,267	7,372	11,639
INCREASE (DECREASE) IN RETAINED EARNINGS	192,669	(29,298)	163,371	54,983	218,354
RETAINED EARNINGS AT JULY 1 (NOTE 2), AS RESTATED	(981,431)	21,745	(959,686)	878,330	(81,356)
RETAINED EARNINGS AT JUNE 30	<u>\$ (788,762)</u>	<u>\$ (7,553)</u>	<u>\$ (796,315)</u>	<u>\$ 933,313</u>	<u>\$ 136,998</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<b>Pension Benefits</b>	<b>Healthcare Benefits</b>	<b>Totals (Memorandum Only)</b>
<b><u>ADDITIONS</u></b>			
CONTRIBUTIONS:			
EMPLOYER	\$ 390,652	\$ 275,084	\$ 665,736
MEMBER	460,379	40,018	500,397
TOTAL CONTRIBUTIONS	851,031	315,102	1,166,133
INVESTMENT INCOME:			
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	(1,664,812)	(71,873)	(1,736,685)
INTEREST	637,431	29,078	666,509
DIVIDENDS	196,756	6,459	203,215
REAL ESTATE OPERATING INCOME, NET	28,352		28,352
SECURITIES LENDING INCOME	135,761	11,095	146,856
TOTAL INVESTMENT INCOME	(666,512)	(25,241)	(691,753)
LESS: INVESTMENT EXPENSE	9,103	96	9,199
LESS: SECURITIES LENDING EXPENSE	126,995	10,131	137,126
NET INVESTMENT INCOME	(802,610)	(35,468)	(838,078)
TOTAL ADDITIONS	48,421	279,634	328,055
<b><u>DEDUCTIONS:</u></b>			
BENEFIT PAYMENTS	1,233,386	166,836	1,400,222
REFUNDS	29,339	5	29,344
ADMINISTRATIVE EXPENSE	17,126	3,936	21,062
OTHER DEDUCTIONS, NET	(613)		(613)
TOTAL DEDUCTIONS	1,279,238	170,777	1,450,015
<b>NET INCREASE</b>	<b>(1,230,817)</b>	<b>108,857</b>	<b>(1,121,960)</b>
<b>NET ASSETS HELD IN TRUST</b>			
BEGINNING OF YEAR	25,826,948	1,073,060	26,900,008
END OF YEAR	<u>\$ 24,596,131</u>	<u>\$ 1,181,917</u>	<u>\$ 25,778,048</u>



**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 760,919	\$ 3,773	\$ 764,692	\$ 86,631	\$ 851,323
CASH RECEIVED FROM CUSTOMERS - STATE	863	148,217	149,080		149,080
COLLECTION OF PROGRAM LOANS				332,328	332,328
PROGRAM LOANS ISSUED				(394,181)	(394,181)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(198,458)	(81,984)	(280,442)	(156,304)	(436,746)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(80,282)	(51,937)	(132,219)	(54,026)	(186,245)
CASH PAYMENTS FOR CLAIMS EXPENSE	(480,002)	(19,363)	(499,365)		(499,365)
CASH PAYMENTS FROM OTHER SOURCES	(41,414)	343	(41,071)	20,958	(20,113)
CASH PAYMENTS TO OTHER SOURCES		(1,497)	(1,497)	(29,493)	(30,990)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(38,374)	(2,448)	(40,822)	(194,087)	(234,909)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
PROCEEDS FROM BOND ISSUANCE				221,300	221,300
PRINCIPAL PAYMENT ON DEBT				(165,873)	(165,873)
DEBT RELATED EXPENSES				(114,506)	(114,506)
SUBSIDIES				55,627	55,627
OPERATING TRANSFERS-IN FROM OTHER FUNDS	99,446	19,268	118,714	78,513	197,227
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(167,816)	(9,862)	(177,678)	(5,375)	(183,053)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(68,370)	9,406	(58,964)	69,686	10,722
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(3,906)	(10,412)	(14,318)	(12,062)	(26,380)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(1,356)		(1,356)	(2,061)	(3,417)
INCREASE IN RESTRICTED ASSET-CONSTRUCTION ACCOUNT				(2,098)	(2,098)
RESTRICTED INCOME-CONSTRUCTION					
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(168)	(615)	(783)		(783)
PROCEEDS FROM SALE OF CAPITAL ASSETS	680	(133)	547		547
CONTRIBUTED CAPITAL				13	13
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(4,750)	(11,160)	(15,910)	(16,208)	(32,118)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
PURCHASE OF INVESTMENT SECURITIES	(8,560)	(3,395)	(11,955)	(1,409,611)	(1,421,566)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES	105,139	4,117	109,256	1,483,993	1,593,249
INTEREST AND DIVIDENDS ON INVESTMENTS	20,487	1,245	21,732	57,658	79,390
NET CASH USED IN INVESTING ACTIVITIES	117,066	1,967	119,033	132,040	251,073
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,572	(2,235)	3,337	(8,569)	(5,232)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	66,556	8,089	74,645	532,648	607,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 72,128	\$ 5,854	\$ 77,982	\$ 524,079	\$ 602,061

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>					
<b>PROVIDED BY OPERATING ACTIVITIES:</b>					
OPERATING INCOME (LOSS)	\$ 125,014	\$ (38,146)	\$ 86,868	\$ (84,377)	\$ 2,491
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
PROVISION FOR UNCOLLECTIBLE ACCOUNTS				985	985
DEPRECIATION AND AMORTIZATION	8,671	19,055	27,726	16,683	44,409
AMORTIZATION OF PREMIUMS				(96)	(96)
INTEREST AND OTHER INVESTMENT INCOME	(732)	(498)	(1,230)	(48,161)	(49,391)
INTEREST EXPENSE				113,247	113,247
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)	(45,436)	(45)	(45,481)	(94,774)	(140,255)
CHANGE IN ASSETS AND LIABILITIES:					
(INCREASE) DECREASE IN ASSETS					
RECEIVABLES, NET	(7,581)	(339)	(7,920)	(100,356)	(108,276)
FAIR VALUE OF INVESTMENTS	(10)	(334)	(344)	(7,589)	(7,933)
INTERFUND RECEIVABLES	8,621	8,696	17,317		17,317
INVENTORIES	50	(81)	(31)	18	(13)
PREPAID EXPENSES	(343)	(1,220)	(1,563)	193	(1,370)
OTHER ASSETS				(1,901)	(1,901)
INCREASE (DECREASE) IN LIABILITIES					
ACCOUNTS PAYABLE	(80,053)	1,050	(79,003)	7,207	(71,796)
INTERFUND PAYABLES	(1,944)	(11,298)	(13,242)		(13,242)
CLAIMS LIABILITY	2,331	19,495	21,826		21,826
CLAIMS ADJUSTMENT LIABILITY	(45,837)		(45,837)		(45,837)
COMPENSATED ABSENCES	98	149	247	211	458
OTHER LIABILITIES				4,312	4,312
DEFERRED REVENUE	(1,223)	1,068	(155)	311	156
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (38,374)</u>	<u>\$ (2,448)</u>	<u>\$ (40,822)</u>	<u>\$ (194,087)</u>	<u>\$ (234,909)</u>

#### RECONCILIATION OF CASH AND CASH EQUIVALENTS, JUNE 30, 2001

	Component Units
PER COMBINED BALANCE SHEET	\$ 1,240,274
LESS: UNIVERSITIES	(714,204)
KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION	(4,296)
CASH AND CASH EQUIVALENTS FOR PROPRIETARY COMPONENT UNITS	<u>\$ 521,774</u>

THE PROPRIETARY FUND TYPES ACQUIRED ASSETS OF \$27,570(000) THROUGH NON-CASH TRANSACTIONS. THE ENTERPRISE FUNDS HAD CONTRIBUTED CAPITAL OF \$13,472(000) THE INTERNAL SERVICE FUNDS HAD CONTRIBUTED CAPITAL OF \$3,878(000) AND CAPITAL LEASES OF \$6,056(000). PAYMENTS FOR PRINCIPAL AND INTEREST FOR THE YEAR WERE \$1,989(000) AND \$298(000) IN THE INTERNAL SERVICE FUNDS. THE COMPONENT UNITS HAD CONTRIBUTED CAPITAL OF \$4,164(000). GRAND PRIZE INVESTMENTS AND THE RELATED PRIZE LIABILITY IN THE ENTERPRISE FUNDS WERE INCREASED DURING THE YEAR BY APPROXIMATELY \$21,481,(000) ACCRETION OF INTEREST.

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES**  
**ALL UNIVERSITY AND COLLEGE CURRENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
**(Expressed in Thousands)**

	<b>Totals</b> <b>June 30, 2001</b>
REVENUES:	
TUITION AND FEES	\$ 437,242
FEDERAL GRANTS AND CONTRACTS	207,340
STATE/LOCAL GRANTS AND CONTRACTS	130,216
PRIVATE GIFTS, GRANTS AND CONTRACTS	98,288
ENDOWMENT INCOME	11,810
SALES AND SERVICES OF EDUCATION ACTIVITIES	78,041
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	450,236
OTHER REVENUES	180,104
TOTAL CURRENT REVENUES	<u>1,593,277</u>
EXPENDITURES AND TRANSFERS:	
EDUCATIONAL AND GENERAL:	
INSTRUCTION	699,089
RESEARCH	143,230
PUBLIC SERVICE	287,594
ACADEMIC SUPPORT	132,249
LIBRARIES	57,048
STUDENT SERVICES	106,864
INSTITUTIONAL SUPPORT	193,355
STUDENT FINANCIAL AID	232,010
MAINTENANCE AND OPERATION	130,492
OTHER EXPENDITURES	21,029
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	<u>2,002,960</u>
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	57,755
CURRENT FUND - UNRESTRICTED	(153)
CURRENT FUND - RESTRICTED	(314)
LOAN FUND	1,521
UNEXPENDED PLANT FUND	1,478
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	(22,680)
CURRENT FUND - RESTRICTED	(7,206)
ENDOWMENT AND SIMILAR FUNDS	384
UNEXPENDED PLANT FUND	34,212
RENEWAL AND REPLACEMENT	5,335
RETIREMENT OF INDEBTEDNESS	7,581
TOTAL EDUCATIONAL AND GENERAL	<u>2,080,873</u>
AUXILIARY ENTERPRISES AND HOSPITALS:	
EXPENDITURES	422,434
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	12,759
RETIREMENT OF INDEBTEDNESS	1,208
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	2,106
CURRENT FUND - RESTRICTED	(84)
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED	150
UNEXPENDED PLANT FUND	1,529
RENEWAL AND REPLACEMENT	56,542
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	<u>496,644</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>2,577,517</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
TRANSFERS FROM PRIMARY GOVERNMENT	932,754
TRANSFERS TO PRIMARY GOVERNMENT	38,561
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE	6,951
INDIRECT COST RECOVERED	10,118
REFUNDS TO GRANTORS	2,048
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	1,167
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 7,359</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF CHANGES IN FUND BALANCE**  
**ALL UNIVERSITY AND COLLEGE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<b>Totals</b>
	<b>June 30, 2001</b>
REVENUES AND OTHER ADDITIONS:	
EDUCATIONAL AND GENERAL REVENUES	\$ 742,514
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	449,821
INDIRECT COST RECOVERED	10,559
RESTRICTED GRANTS AND CONTRACTS	557,393
RESTRICTED GIFTS AND GRANTS	79,880
ENDOWMENT INCOME	10,943
INTEREST AND OTHER INVESTMENT INCOME	15,189
EXPENDED FOR PLANT FACILITIES	270,208
RETIREMENT OF INDEBTEDNESS	48,592
OTHER REVENUE AND ADDITIONS	210,155
TOTAL REVENUES AND OTHER ADDITIONS	2,395,254
EXPENDITURES AND OTHER DEDUCTIONS:	
EDUCATIONAL AND GENERAL EXPENDITURES	1,985,927
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	422,002
REFUNDS TO GRANTORS	638
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	1,316
LOAN CANCELLATIONS	1,337
PAYMENT TO BENEFICIARIES	1,129
EXPENDED FOR PLANT FACILITIES	212,639
RETIREMENT OF INDEBTEDNESS	61,457
INTEREST PAYMENTS	35,176
DISPOSAL OF PLANT FACILITIES	58,742
NOTES ISSUED	4,075
OTHER EXPENDITURES	300,693
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	3,085,131
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):	
NON-MANDATORY TRANSFERS FOR:	
TRANSFERS FROM PRIMARY GOVERNMENT	1,274,065
TRANSFERS TO PRIMARY GOVERNMENT	(16)
TOTAL TRANSFERS AMONG FUNDS	1,274,049
INCREASE (DECREASE) IN FUND BALANCE	584,172
FUND BALANCE AT JULY 1, (NOTE 2) AS RESTATED	4,222,969
FUND BALANCE AT JUNE 30	\$ 4,807,141

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**Note 1**

**SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation** - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements for the University and College Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the AICPA Audit Guide, Audits of Colleges and Universities.

**B. Financial Reporting Entity** - For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, account groups, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational entities comprise the reporting entity of the Commonwealth and are reported in accordance with GASB 14. Consequently, the reporting entity includes organizations that are not legally separate from the primary government and those which are legally separate. Organizations, not legally separate, are reported as part of the primary government. Legally separate organizations are reported as component units if either, the Commonwealth is financially accountable or whose exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services almost entirely or exclusively to the primary government or their governing body is substantively the same as the governing body for the primary government. All other component units are discretely presented.

Audited financial statements are available for the following blended component units: Kentucky Lottery Corporation and the Kentucky Turnpike Authority. Audited financial statements are available for all discretely presented component units except the Kentucky Agricultural Finance Authority, the Kentucky Grain Insurance Corporation, the Kentucky School Facilities Construction Commission and Kentucky State University. (See page 77 for complete list of component units' addresses.)

Blended Component Units

The following legally separate organizations provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, that benefit the State, and therefore, these organizations' balances and transactions are reported as though they were part of the State's primary government using the blending method.

The State Property and Buildings Commission, Kentucky Asset/Liabilities Commission, Kentucky River Authority, Kentucky To-

bacco Settlement Trust Corporation, Kentucky Savings Bond Authority, and the Board of Agriculture are legally separate entities of an administrative nature. They are comprised of elected and appointed officials from various state agencies, and have no cost associated with them. Therefore, there is not a separate presentation for these entities.

State Property and Buildings Commission (KRS 56.450)

This commission is a public body corporate created to issue all revenue bonds for state agencies, unless those agencies are specifically authorized by other provisions of the Kentucky Revised Statutes to issue bonds. The commission is composed of six ex officio members.

Kentucky Asset/Liability Commission (KRS 56.861)

The commission is a public body corporate, created to take a comprehensive view of the Commonwealth's finances and develop policies and strategies to minimize the impact of fluctuating revenue receipts and interest rates on the Commonwealth's interest-sensitive assets and liabilities. The commission consists of five ex officio members.

Kentucky River Authority (KRS 151.710)

The Kentucky River Authority possesses the corporate powers that would distinguish it as being legally separate from the Commonwealth. This authority's purpose is the maintenance of the Commonwealth's locks and dams on the Kentucky River. The Governor appoints the ten members of this authority.

Kentucky Lottery Corporation (KRS 154A.020)

The Kentucky Lottery Corporation is empowered by the Legislature to administer the Kentucky state lottery games. The board of directors is comprised of seven members appointed by the Governor with the advice and consent of the Senate.

Kentucky Tobacco Settlement Trust Corporation (KRS 248.480)

The Kentucky Tobacco Settlement Trust Corporation is a public body corporate created to perform essential governmental and public functions by assisting in the implementation of the national tobacco grower settlement trust agreement. The board of directors is comprised of nine members appointed by the Governor with the advice and consent of the Senate and House of Representatives.

Turnpike Authority of Kentucky (KRS 175.430)

The Turnpike Authority is a body corporate and politic created solely to perform essential governmental functions and to serve the public purposes of constructing, acquiring, financing, and operating turn-

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

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pike and other road projects for the use, safety, convenience and general welfare of the traveling public, by leasing such projects to the Transportation Cabinet. The seven members of the authority are all ex officio members, including the Governor.

**Kentucky Teachers' Retirement System (KRS 161.220)**

The Kentucky Teachers' Retirement System is an independent agency and instrumentality of the Commonwealth created to provide pension benefit plan coverage for local school districts and educational agencies of the state. The board includes two ex officio members and seven elected members.

**Kentucky Retirement System (KRS 61.645)**

The Kentucky Retirement System administers the Kentucky Employees Retirement System, the County Employees Retirement and the State Police Retirement System. The board consists of the Secretary of the Personnel Cabinet, five members elected by the retirement systems and three members appointed by the Governor.

**Board of Agriculture (KRS 246.120)**

The board is a body corporate created to act as an advisory board to the Commissioner of Agriculture and aid him in the collection of information concerning crops and in the promulgation of industrial information and act as an immigration committee. The board consists of nine members, two ex officio members and seven citizens of the Commonwealth appointed by the Governor.

**Kentucky Savings Bond Authority (KRS 293.030)**

The authority is a body corporate and politic created to promote investment by the general public in bonds of the Commonwealth and to reduce interest costs to the Commonwealth or its agencies. The authority consists of seven commissioners, three ex officio members and four members appointed by the Governor.

**Discretely Presented Component Units**

The component units' columns in the combined financial statements include the data of the following organizations. They are reported in a separate discrete column that is labeled as "Component Units" to emphasize these organizations' separateness from the Commonwealth's primary government.

**Bluegrass State Skills Corporation (KRS 154.12-205)**

This corporation was created and established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skills, training and education. The board of directors consists of eighteen members, five ex officio members and thirteen members appointed by the Governor.

**Kentucky School Facilities Construction Commission (KRS 157.617)**

The commission is an independent corporate agency and instrumentality of the Commonwealth. The purpose of the commission is to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs. One ex officio member and eight members appointed by the Governor comprise the Commission.

**Kentucky State Fair Board (KRS 247.090)**

This board is a body corporate created to account for revenues earned and expenses incurred in the commercial operations of the State Fair Board. Twelve members compose the board, three ex officio members, the other nine appointed by the Governor.

**Kentucky Center for the Arts Corporation (KRS 153.410)**

The Center for the Arts is a body corporate created by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The board consists of fifteen members appointed by the Governor.

**Kentucky Educational Television Authority (KRS 168.030)**

KET is a public body corporate and politic created to prescribe and enforce regulations governing the use of educational television and television facilities and related functions. KET also produces and transmits educational television programs. The authority consists of nine members, five being appointed by the Governor. A component unit of KET is the Kentucky Educational Television Foundation. The foundation is a non-profit Kentucky corporation, which receives, holds and administers gifts and grants in the name of and with the approval of the authority.

**Kentucky Economic Development Finance Authority (KRS 154.20-010)**

KEDFA possesses the corporate powers necessary to distinguish it as being legally separate from the Commonwealth and was established to assist business enterprises in obtaining financial resources in order to promote the Commonwealth's long-term economic growth. The Kentucky Economic Development Partnership board appoints the five members of this authority. Additionally, other component units of the authority include: The Kentucky Industrial Development Authority, the Kentucky Industrial Revitalization Authority, Kentucky JOBS Development Authority, and the Kentucky Mortgage Insurance and Guarantee Corporation. The financial statements of the component units have been combined with those of the authority.

**Kentucky Higher Education Assistance Authority (KRS 164.742)**

This authority is a body corporate and politic created to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions, and by insuring eligible student loans.

**Kentucky Higher Education Student Loan Corporation (KRS 164A.050)**

KHESLC is a body corporate and politic created to perform essential governmental and public functions and purposes in improving and promoting the educational opportunities of the citizens of the Commonwealth. The board of directors consists of seven members, three ex officio members and four members appointed by the Governor.

**Kentucky Educational Savings Plan Trust (KRS 164A.310)**

This trust was established to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

**Kentucky Housing Corporation (KRS 198A.030)**

The Housing Corporation is a body corporate and politic created to perform essential governmental and public functions in improving and promoting the health and welfare of the citizens of the Commonwealth by the production of residential housing in Kentucky. The board of directors consists of six ex officio members and eight members appointed by the Governor.

**Kentucky Infrastructure Authority (KRS 224A.030)**

The authority is a body corporate and politic created solely to perform essential governmental functions and to serve the local public agencies in the Commonwealth with respect to the construction and acquisition of infrastructure projects. The board consists of five ex officio members and three members appointed by the Governor.

**Kentucky Agricultural Finance Corporation (KRS 247.944)**

KAFC is a corporation created to improve and promote the health and general welfare of the people through the promotion of agriculture. The board of directors consists of three ex officio members and nine members appointed by the Governor.

**Kentucky Grain Insurance Corporation (KRS 251.620)**

KGIC is a body politic created to promote the Commonwealth's welfare by improving the economic stability of agriculture and protecting grain producers in the event of the financial failure of a grain dealer or warehousemen. The board of directors consists of four ex officio members and six members appointed by the Commissioner of the Department of Agriculture.

**Kentucky Local Correctional Facilities Construction Authority (KRS 441.615)**

This authority is a body corporate and politic created to provide an additional and alternative method of constructing, reconstructing, improving or repairing and financing jails and appurtenant facilities for any local government in the Commonwealth. The membership consists of six ex officio members and four members appointed by the Governor.

**State Colleges, Universities and Kentucky Community Technical College System (KRS 164.350)**

Each board of regents or board of trustees is appointed by the Governor, and constitute a body corporate with the power to receive and administer revenue and property.

**C. Fund Structure and Basis of Accounting - Primary Government** - The accompanying financial statements are structured into three fund categories and two account groups. The fund categories include governmental funds, proprietary funds and fiduciary funds. Account groups are presented for general fixed assets and general long-term obligations.

**Governmental Funds include:**

**General Fund** - accounts for financial resources appropriated by the General Assembly which are not required to be accounted for in another fund.

**Special Revenue Funds** - account for specific revenue sources, other than for expendable trusts or major capital projects, dedicated to specific operations.

**Debt Service Fund** - accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related administrative costs.

**Capital Projects Fund** - accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment, other than those financed by proprietary funds and certain trust funds.

All of the governmental funds (where the measurement focus is on the flow of current financial resources) are accounted for on the

modified accrual basis of accounting. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Available revenue will be received within 30 days. Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, property tax, departmental fees, income taxes, and interest income. Motor vehicle registration fees and fines and forfeitures are accounted for on the cash basis. Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date. Expenditures are recorded at the time liabilities are incurred except: (1) inventories generally are considered expenditures at acquisition; (2) prepayments usually are accounted for as expenditures of the period of acquisition; (3) principal and interest on long-term debt are recorded when paid; and (4) compensated absences are accounted for as expenditures of the period when used. Encumbrances represented by executed and unperformed contracts, which have been approved by the Finance and Administration Cabinet, at year end are reported as reservations of fund balance for subsequent year expenditure in the Capital Projects and Transportation Funds. Encumbrances in all other funds lapse at the end of the fiscal year.

**Proprietary Funds include:**

The State has adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting." As permitted by GASB Statement No. 20, the primary government's proprietary funds have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. Each proprietary component unit has individually made this election as disclosed in their separate audit reports.

**Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of the Commonwealth and the operation of State agencies that provide goods or services to the general public on a user charge basis. Also included are the operations of the State's risk management pools.

**Internal Service Funds** - account for financing goods and services provided by one agency of the Commonwealth primarily to other agencies or governments on a cost reimbursement basis.

All of the proprietary funds (where the measurement focus is on the flow of economic resources) are accounted for on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and become measurable. Expenses are recognized at the time liabilities are incurred.

**Fiduciary Funds include:**

**Expendable Trust Funds** - account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes.

**Pension Trust Funds** - account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems.

**Agency Funds** - account for monies held by the Commonwealth and deferred compensation plans for custodial purposes only.

Expendable Trust Funds are accounted for on the modified accrual basis of accounting and are reported in the same manner as governmental fund types. Pension Trust Funds are accounted for on the accrual basis of accounting and reported in the same manner as proprietary fund types.

**Account Groups include:**

**General Fixed Assets Account Group** - accounts for fixed assets acquired or constructed for general governmental purposes other than those of the proprietary and fiduciary fund types.

**General Long-Term Obligations Account Group** - accounts for unmatured general long-term liabilities of the Commonwealth other than those of the proprietary and fiduciary fund types.

Certain obligations included in the General Long-Term Obligations Account Group for the State Property and Buildings Commission are also reflected in the statements as investments: The State Property and Buildings Commission issued \$41,380,000 Taxable University Refunding bonds. The proceeds from this issue were used to purchase certain outstanding Housing and Dining Revenue bonds of the State's universities. The income from the Housing and Dining bonds will be used to pay the debt service on the Project Revenue bonds. Savings will be used to reduce the universities' debt service requirements. See Note 15 for additional information.

**D. Component Units** - presentation of the underlying fund types of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

**E. Budgetary Process and Control** - The Commonwealth of Kentucky requires that each branch of government prepare and submit a recommended budget to the General Assembly for each of the two fiscal years to be included in a biennial budget. These budgets are prepared principally on the cash basis. The Legislature reviews these budget requests, makes any necessary revisions, and legally adopts a biennial budget for each of the three branches of government. The Governor has the power to approve or veto each bill, subject to legislative override.



The financial plan for each fiscal year, as presented in a branch budget recommendation, shall be adopted with such modifications as made by the General Assembly (and explained in a budget memorandum) by the passage of the budget bill and such revenue and other acts necessary for the purpose. A budget bill shall not be effective past July 1 of the year in which the next regular session takes place.

Budgetary control is maintained at the budget unit level as designated by the Legislature (i.e., function, major program area, program, or unit of organization).

Appropriations for the General Fund and Road Fund shall be based upon revenue estimates prepared by the Finance and Administration Cabinet and modifications made by the appropriations committee of the General Assembly. Official revenue estimates are not made for the other budgetary funds.

The funds which have legally adopted annual budgets as part of the primary government include the following: General, Transportation, Federal, Agency Revenue, State Parks, Industries for the Blind, Horse Park, Insurance Administration, Fleet Management, Computer Services, Prison Industries, Central Printing, Property Management, Risk Management, and Unemployment Trust. In addition, the State Fair Board Fund, which is shown as a discretely presented component unit, has a legally adopted budget. Capital Projects are budgeted on a project length basis.

The funds allotted for each purpose of expenditure shall be used for no other purpose, except that the head of any budget unit, with the approval of the Secretary of the Finance and Administration Cabinet, may transfer allotted funds from one purpose of expenditure to another within the budget unit. No revisions of the allotment schedule may provide for an allotment or allotments in excess of the amount appropriated to that budget unit in a joint budget resolution or for expenditure for any other purpose than specified in a joint budget resolution and a budget memorandum. However, budgetary funds except General Fund, Transportation Fund, and Capital Projects Fund, may be amended in an amount up to the actual receipts (not to exceed 5%) by an Advice of Change Order from the Secretary of the Finance and Administration Cabinet. No supplemental appropriations were required during this fiscal year. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end for long-term construction contracts other than commitments of a continuing nature are reported as reservations of fund balance for subsequent year expenditures. All other encumbered and unencumbered appropriations lapse at the end of each fiscal year except in the Capital Projects and Transportation Funds, which have project length budgets. Encumbrances are carried forward as revisions to appropriations.

The annual budget is prepared principally on the cash basis, which basis differs from generally accepted accounting principles (GAAP). A reconciliation between the budgetary basis and the GAAP basis is presented in Note 4.

**F. Cash and Cash Equivalents** - In addition to bank accounts, cash on hand, and imprest cash, this classification includes short-term investments with a maturity of 90 days or less, from date of purchase. Cash equivalents are generally stated at cost, which approximates market. Deferred Compensation amounts are reported at fair value. Short-term investments, classified as cash equivalents at June 30, 2001 are \$3,282,929,826.

**G. Investments** - This classification includes long-term investments which are stated at fair value. Investments of the Deferred Compensation Plan are reported at fair value. See Note 5 for investment details.

**H. Receivables** - Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of Federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues which are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles. The allowance for uncollectibles amounted to \$648,918,101.

**I. Interfund Transactions** - The Commonwealth has the following types of interfund transactions:

**Quasi-external Transactions** - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

**Reimbursements** - Reimbursement of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

**Residual Equity Transfers** - Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from the fund equity balance.

**Operating Transfers** - Legally authorized transfers other than residual equity transfers are reported as operating transfers in the financial statements.

The composition of the interfund transactions is presented in Note 7.

**J. Inventories** - Inventories in the governmental funds and similar trust funds consist of expendable supplies held for consumption, the costs of which are recorded as an expenditure at the time of purchase.

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

Reserves of fund balance have been established for the inventory balances for governmental funds. Inventories in the proprietary funds and similar trust funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the costs of which are recorded as an expense as they are used. Inventories are valued at cost (first-in, first-out, or average cost).

**K. Fixed Assets and Depreciation-General Fixed Assets** - The policy of the primary government is to capitalize all land. Building and equipment are capitalized when the acquisition cost is \$5,000 or greater. Component units establish their own capitalization policy and that policy may vary from the amount of the primary government. All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition. Fixed assets are valued in the General Fixed Assets Account Group at historical cost, estimated historical cost or fair market value at time of donation. Buildings of \$516,856,000 at June 30, 2001, were valued as follows: \$153,262,000 at estimated historical cost, \$314,275,000 at historical cost and \$49,319,000 at fair market value at time of donation. Land of \$85,535,000 at June 30, 2001, was valued as follows: \$23,848,000 at estimated historical cost, \$45,362,000 at historical cost, and \$16,325,000 at fair market value at time of donation. The estimates of historical cost were based on appraised value, as of June 30, 1986, indexed to the date of acquisition. Also, public domain (infrastructure) general fixed assets such as highways, curbs, bridges, and right-of-ways are not capitalized.

machinery and equipment, and 10 to 60 years for improvements other than buildings.

It is the Commonwealth's policy to capitalize interest expense incurred on significant assets in proprietary funds during their construction in accordance with FASB Statement No. 62.

The discretely presented component unit financial statements of The Kentucky Center for the Arts, Fiscal Year 2001, do not contain the Center's fixed assets. The Finance and Administration Cabinet, Division of Statewide Accounting, Financial Reporting Branch, has adjusted the discretely presented component units column on the appropriate combined statements included in the Commonwealth of Kentucky's Comprehensive Annual Financial Report for the Year Ended June 30, 2001, to add dollar amounts for fixed assets, depreciation, and contributed capital associated with the Center in order to satisfy GAAP requirements regarding the Commonwealth's financial reporting entity.

**L. Fund Equity Reserves and Designations** - The Commonwealth's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure, or (2) legally segregated for a specific future use. Designated portions of fund balance represent tentative managerial plans for financial resource utilization in a future period.

**Fund Balance Reserved for Other Specific Purposes**  
(Expressed in Thousands)

	Primary Government			Component Units
	General	Special Revenue	Debt Service	Universities
Inventories	\$ 11,022	\$ 40,188	\$	\$
Restricted gifts, grants and contracts				1,046,212
Deposit with fiscal agents		10,092	28,273	
Compensating balance with depositories		997		
Budget Stabilization	239,832			
<b>TOTALS</b>	<u>\$ 250,854</u>	<u>\$ 51,277</u>	<u>\$ 28,273</u>	<u>\$ 1,046,212</u>

No depreciation is provided on general fixed assets.

**Proprietary and Similar Fiduciary Fund Types** - Fund fixed assets acquired or constructed have been stated at historical cost, estimated historical cost, or fair market value at the time of donation. Historical cost has been estimated for approximately seventy percent (70%) of the land cost and forty-seven percent (47%) of the proprietary fund's buildings cost as of June 30, 2001. The estimate of historical cost was based on appraised value as of June 30, 1986, indexed to the date of acquisition. Land and buildings acquired after June 30, 1986, have been valued at historical cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for buildings, 3 to 25 years for

**M. Long-Term Obligations** - Long-term liabilities that will be financed from governmental funds and expendable trust funds are accounted for in the General Long-Term Obligations Account Group. These long-term liabilities include the following:

1. Payments of principal and interest for general obligation debt and revenue bonds which are recorded as expenditures in the Debt Service Fund.
2. Compensated absences reported in the General Long-Term Obligations Account Group include accumulated unpaid vacation and compensatory time accruals. The amount accruing to proprietary funds and pension trust funds has been included in the respective funds when material.

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 15.00 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. At June 30, 2001, the estimated liability for accrued annual leave for the governmental and Primary Government proprietary funds was \$173,461,359 and \$11,314,049 respectively. Compensatory leave is granted to authorized employees on an hour-for-hour basis. At June 30, 2001, the estimated liability for compensatory leave in the governmental and Primary Government proprietary funds was \$63,008,338 and \$4,054,625 respectively.

Sick leave for the Primary Government is earned one day per month with unlimited accumulation. All of the qualifying retiring employees' sick leave balances, expressed in months, shall be added to their service credit for the purpose of determining their annual retirement.

There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 17 for disclosure of the amount of this contingency. The component units have varying policies for compensated absences. Information regarding these policies is available in the audited financial statement of each component unit.

3. Outstanding capital lease obligations for governmental funds and expendable trust funds are reported in the General Long-Term Obligations Account Group.

4. Judgements and contingent liabilities of governmental funds which will not be paid with current resources are reported in the General Long-Term Obligations Account Group.

5. Long-term liabilities of all proprietary and pension trust funds are accounted for in the respective funds.

Long-term obligations exclude those amounts reported as expenditures for compensated absences, judgements, contingencies, and employer pension contributions in the governmental funds which are the amounts that would normally be liquidated with expendable available financial resources.

**N. Contributed Capital** - The Proprietary Funds receive general fund appropriations and proceeds of revenue bonds for the acquisition of specific fixed assets. The debt service for these bonds is paid by the Commonwealth's General Fund and the liability is reported in the General Long-Term Obligations Account Group.

The assets acquired with the proceeds of the revenue bonds are accounted for in the proprietary funds with an offsetting entry to contributed capital.

(Expressed in Thousands)

**Primary Government - Enterprise Fund**

Contributed capital as of June 30, 2000	\$ 172,585
Additions: Fiscal Year 2001	13,472
Retirement: Fiscal Year 2001	
	\$ 186,057
Amortization through June 30, 2000	\$ (29,058)
Additions: Fiscal Year 2001	(2,034)
Retirement: Fiscal Year 2001	
	(31,092)
Net contributed capital as of June 30, 2001	<u>\$ 154,965</u>

**Primary Government - Internal Service Fund**

Contributed capital as of June 30, 2000, as restated	\$ 96,777
Additions: Fiscal Year 2001	3,878
Retirements: Fiscal Year 2001	
	\$ 100,655
Amortization through June 30, 2000	(15,311)
Additions: Fiscal Year 2001	(2,233)
Retirements: Fiscal Year 2001	
	(17,544)
Net contributed capital as of June 30, 2000	<u>\$ 83,111</u>

**Component Units - Proprietary Funds**

Contributed capital as of June 30, 2000	\$ 232,460
Additions: Fiscal Year 2001	4,164
	\$ 236,624
Amortization through June 30, 2000	(88,091)
Additions: Fiscal Year 2001	(7,372)
	(95,463)
Net contributed capital as of June 30, 2001	<u>\$ 141,161</u>

**O. Totals - Memorandum Only** - Total columns (memorandum only) have been added to certain statements to reflect totals for both the primary government and the reporting entity. These columns are presented for overview informational purposes and do not represent consolidated financial information.

**Note 2**

**CHANGES IN ACCOUNTING PRINCIPLES, REPORTING PRACTICES, AND PRIOR PERIOD ADJUSTMENTS**

The fund balances/retained earnings as previously reported have been restated to conform to generally accepted accounting principles and to correct balances for erroneously recorded transactions.

**Special Revenue Fund** - The Transportation Fund within the Special Revenue Fund was restated for assets previously included in error. The effect on fund balance was a decrease of \$2,198,000. The Federal

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Fund was restated to include assets previously omitted in error. The effect on fund balance was an increase of \$8,772,000. The Agency Revenue Fund was restated to remove assets previously included in error. The effect on fund balance was a decrease of \$4,105,000. The Other Special Revenue Fund was restated to remove assets previously included in error. The effect on fund balance was a decrease of \$1,958,000. The effect on fund balance was an increase of \$30,646,000. The net effect of these adjustments on the Special Revenue Fund was an increase in fund balance of \$511,000.

**Debt Service Fund** - The Turnpike Authority of Kentucky fund balance was restated for errors in recording interest and debt for the prior year. The net effect on fund balance was an increase of \$1,789,000.

**Capital Projects Fund** - The Capital Projects Fund was restated to include assets previously omitted in error. The effect on fund balance was an increase of \$16,076,000.

**Enterprise Funds** - The Enterprise Funds were restated due to Industries for the Blind. As of July 1, 2000, Industries for the Blind became fully privatized and are no longer associated with the Commonwealth. The net effect on earnings is a decrease of \$447,000.

**Internal Service Funds** - The Computer Services Fund within the Internal Service Fund was restated to omit assets previously included in error. The effect on retained earnings was a decrease of \$4,149,000. The Property Management Fund within the Internal Service Fund was restated to include assets previously omitted in error. The effect on retained earnings was an increase of \$30,883,000.

**Expendable Trust Funds** - The Special Benefits Fund within the Expendable Trust Fund was restated to omit amounts previously included in error. The effect on fund balance was a decrease of \$215,000.

**Account Groups** - The General Fixed Asset Account Group was decreased by \$194,178,000 for assets previously included in error. General Long Term Obligation Account Group was increased by \$429,000 for lease obligations previously omitted in error.

**Component Units - Proprietary Funds:**

**Kentucky Educational Television** - As a result of adoption of a new accounting principle and its cumulative effect on prior years, Kentucky Educational Television's beginning retained earnings increased by \$4,659,000.

**Kentucky Local Correctional Facilities Construction Authority** - As a result of adoption of a new accounting principle and its cumulative effect on prior years, the Authority's beginning retained earnings increased by \$478,000.

**Component Units - University and College Funds:**

**University of Louisville** - The fund balance for the University of Louisville was restated to remove an amount previously included in error. The effect on fund balance was a decrease of \$178,000.

**Northern Kentucky University** - The fund balance for Northern Kentucky University was restated due to the implementation of GASB 33. The effect on fund balance was a decrease of \$748,000.

**Kentucky State University** - The fund balance for Kentucky State University was restated to include amounts previously omitted in error. The effect on fund balance was an increase of \$765,000.

**Kentucky Community Technical College System** - The fund balance of the Kentucky Community Technical College System was restated to include amounts previously omitted in error. The effect on fund balance was an increase of \$13,620,000.

**Note 3**

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. The Federal Fund** - The Federal Fund has a deficit retained earnings of \$34,017,000. The deficit is the result of expenditure accruals which will be funded in future periods.

**B. The Enterprise Fund** - The Insurance Administration Fund has a deficit retained earnings of \$873,405,000. The accumulated claims liability is estimated by actuarial methods for the risk pools, which will be funded in future periods.

**C. The Internal Service Fund** - The Risk Management Fund has a deficit retained earnings of \$79,177,000. The deficit is the result of accumulated claims liabilities of the Commonwealth's self-insured worker's compensation programs, and is to be funded in future periods.

**D. Component Units - Governmental Fund Types** - Bluegrass State Skills Corporation has a deficit fund balance of \$387,000. The deficit is the result of expenditure accruals which will be funded in future periods.

**Proprietary Fund Types** - The Kentucky Local Correctional Facilities Construction Authority has a deficit retained earnings of \$7,775,000 resulting from the recognition of loan commitments before financing was arranged. The Authority will issue bonds to satisfy these commitments in the future.

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**Note 4**

**BUDGETARY BASIS VS. GAAP**

The accompanying Combined Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)-All Budgeted Fund Types, presents comparisons of the legally adopted budget (see Note 1E) with actual data on budgetary basis. The Other Special Revenue Fund within the Special Revenue Fund type and the Kentucky Lottery Corporation within the Enterprise Fund type are not budgeted and are shown for comparison purposes only.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 2001, to the fund balance on a modified accrual basis follows (expressed in thousands):

Budgetary Funds	General	Special Revenue	Enterprise	Internal Service	Expendable Trust	Component Units
Financial Statements Funds	General	Special Revenue	Enterprise	Internal Service	Fiduciary	Component Units
Fund Balance/Retained Earnings June 30, 2001:						
Budgetary Basis	\$ 395,379	\$ 1,328,546	\$ 350,598	\$ 83,141	\$ 649,035	\$ 134,558
Adjustments:						
Accrued Revenues	240,856	437,097	7,311	653	14,030	
Accrued Expenditures	(223,501)	(416,610)	(3,836)	(2,669)	(97,219)	
Accrued Transfers (Net)	(8,266)	587				
Total Accruals <sup>1</sup>	9,089	21,074	3,475	(2,016)	(83,189)	
Reclassifications and Other Adjustments:						
Inventory Balances <sup>1</sup>	8,860	27,843	9,093	4,039		
To Reclassify Financial Resources into Financial Statement Fund Types <sup>2</sup>	(141)	(346,494)	2,485	92,553		
To Record Financial Resources available as Non-Budgeted Funds <sup>3</sup>	(18,000)	389,044	(999,448)	(102,159)	26,613,544	5,770,970
Fund Equity/Other Credits June 30, 2001:						
GAAP Basis	\$ 395,187	\$ 1,420,013	\$ (633,797)	\$ 75,558	\$ 27,179,390	\$ 5,905,528

<sup>1</sup> Basis Differences

<sup>2</sup> Perspective Differences

<sup>3</sup> Entity Differences



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**Note 5**

**EQUITY IN POOLED CASH AND INVESTMENTS, CASH, AND INVESTMENTS**

The Commonwealth maintains a cash and investment pool that is available for use by all funds under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. In addition, investments are separately held by several of the State's funds and Component Units. Legally authorized investments vary by fund but generally include: obligations of or guaranteed by the United States; obligations of any corporation of the United States Government; asset backed securities; U.S. dollar denominated corporate securities; collateralized certificates of deposit; bankers' acceptances; commercial paper; and repurchase agreements. In addition to these, pension plans and certain Component Units are permitted to purchase common stocks, corporate bonds and real

property and mineral rights. The Commonwealth is also eligible to invest in reverse repurchase agreements.

**Deposits** - At year end, the carrying amount of the Commonwealth's deposits for the Primary Government was \$1,263,308,964 and \$417,321,211 for the Component Units. At year end, the bank balance was \$1,264,286,731 and \$417,657,932 for the Primary Government and Component Units, respectively. The bank balance of the Primary Government administered by the State Treasurer was covered by Federal depository insurance or by collateral held by the Commonwealth or the Commonwealth's agent in the Commonwealth's name. The following table categorizes the Primary Government's and Component Units' deposits as: (1) insured or collateralized with securities by the entity or by its agent in the entity's name; (2) collateralized with securities held by the pledging institution's trust department or agent in the entity's name; or (3) uncollateralized where securities are held by the pledging institution but not in the entity's name.

**CASH - PRIMARY GOVERNMENT**

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 448,559,756	\$	\$	\$ 449,537,523	\$ 448,559,756
Cash with Fiscal Agents	56,478,494			56,478,494	56,478,494
Imprest and Change	2,892,722			2,892,722	2,892,722
Money Market			111,741,273	111,741,273	111,741,273
Total	<u>\$ 507,930,972</u>	<u>\$ 0</u>	<u>\$ 111,741,273</u>	<u>620,650,012</u>	<u>619,672,245</u>
Cash on Deposit with Federal Government				643,636,719	643,636,719
				<u>\$1,264,286,731</u>	<u>\$1,263,308,964</u>
Total					

**CASH - COMPONENT UNITS**

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 246,976,842	\$ 73,497,352	\$ 20,849,521	\$ 341,660,436	\$ 341,323,715
Cash with Fiscal Agents					
Money Market	634,781	53,098,678	21,894,117	75,627,576	75,627,576
Nonnegotiable Certificates of Deposit	355,135		14,785	369,920	369,920
Totals	<u>\$ 247,966,758</u>	<u>\$ 126,596,030</u>	<u>\$ 42,758,423</u>	<u>\$ 417,657,932</u>	<u>\$ 417,321,211</u>



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**Investments** - The Commonwealth holds investments both for its own benefit and as an agent for other related parties. The major investment programs conducted for the direct benefit of the Commonwealth are administered by the Office of Financial Management. The credit risk of those investments held in the Commonwealth's investment pool is all Category (1). The credit risk mix of the retirement systems, component units, and other Commonwealth agencies is disclosed in the financial statement footnotes of the individual entities. The following tables categorize INVESTMENTS - PRIMARY GOVERNMENT

the Primary Government's and Component Units' investments as: Category (1) those investments which are insured or registered, or held by the Commonwealth of Kentucky or its agent in the Commonwealth's name; Category (2) those investments which are uninsured and unregistered with securities held by the counterparty's trust department or agent in the Commonwealth's name; and Category (3) those investments which are uninsured and unregistered for which the securities are held by the counterparty or by its trust department or agent but not in the Commonwealth's name.

	Categories			Net Investment	Fair Value
	1	2	3		
Collateralized Mortgage Obligations	\$ 147,380,327	\$	\$	\$ 147,265,315	\$ 147,380,327
Commercial Paper			63,461,689	63,461,689	63,461,689
Common Stocks	12,678,856,187	130,833,751		12,809,528,065	12,809,689,938
Corporate Bonds	3,252,954,814	63,039,474	22,658,919	3,338,502,599	3,338,653,207
Government Securities	4,590,461,784	67,921,571	139,578,986	4,538,190,149	4,797,962,341
Mutual Funds	2,021,714,725	1,140,284		2,022,855,009	2,022,855,009
Negotiable Certificate of Deposit	641,287			640,786	641,287
Repurchase Agreements	1,074,337,967	16,900,000		1,090,638,989	1,091,237,967
Securities Lending Collateral			762,967,508	762,967,508	762,967,508
State and Municipal Obligations	145,228,887	8,310,226		153,456,118	153,539,113
Totals	<u>\$23,911,575,978</u>	<u>\$ 288,145,306</u>	<u>\$ 988,667,102</u>	<u>\$ 24,927,506,227</u>	<u>\$ 25,188,388,386</u>
Government Securities				72,688,630	72,688,630
Mortgages				530,260,077	530,260,077
Mutual Funds				475,025,702	475,025,702
Real Estate				892,433,039	892,433,039
Securities Lending Collateral				1,767,731,460	1,767,731,460
State Investment Pool				336,918,625	336,918,625
Other				1,293,604	1,293,604
Investments held by Brokers/Dealers under Securities Loaned					
-Common Stocks				828,186,025	828,186,025
-Corporate Bonds				159,229,754	159,229,754
-Government Securities				1,664,000,889	1,664,000,889
Total Investments				<u>\$ 31,655,274,032</u>	<u>\$ 31,916,156,191</u>

**INVESTMENTS - COMPONENT UNITS**

	Categories			Net Investment	Fair Value
	1	2	3		
Collateralized Mortgage Obligation	\$ 9,785,540	\$	\$	\$ 9,785,540	\$ 9,785,540
Commercial Paper		30,281,647	40,254,203	70,535,850	70,535,850
Common Stock	158,583,698	9,603,866		168,187,564	168,187,564
Corporate Bonds	113,586,485			109,316,290	113,586,485
Equity in Health Care Corps	21,690,077			21,690,077	21,690,077
Government Securities	297,892,419	227,726,060	866,206	505,566,834	526,484,685
Mutual Funds	143,132,404	295,942		128,988,068	143,428,346
Negotiable Certificates of Deposit	6,849,925			6,849,925	6,849,925
Preferred Stock	471,500			471,500	471,500
Repurchase Agreements	242,409,250	10,596,648		233,935,198	253,005,898
Other	8,746,270		200,000	8,746,270	8,946,270
Totals	<u>\$ 1,003,147,568</u>	<u>\$ 278,504,163</u>	<u>\$ 41,320,409</u>	<u>1,264,073,116</u>	<u>1,322,972,140</u>
Corporate Bonds				923,201	923,201
Guaranteed Investment Contracts				235,310	235,310
Mortgages				35,721,254	35,721,254
Mutual Funds				134,454,146	134,454,146
Real Estate				305,127	305,127
State Investment Pool				608,853,816	608,964,345
Other				44,968,172	44,968,172
Total Investments				<u>\$ 2,089,534,142</u>	<u>\$ 2,148,543,695</u>

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Statutes require that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market value of securities underlying repurchase agreements fell below this required level on a few occasions during the year; however, no losses were sustained due to the fall in collateralization levels. The collateralization is monitored on a weekly basis (as specified within 200 KAR 14.081) and at any point where the collateralization falls below 102 percent of the cost of the repurchase agreement, the seller/borrower is contacted and the situation is normally rectified within two business days.

**Securities Lending Program** - State statutes authorize the Commonwealth to enter into a securities lending agreements. Collateral received in the transfer are the type which the Commonwealth is legally authorized to hold. The Commonwealth does not have the ability to pledge or sell collateral securities without a borrower default. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred. The securities transferred are a part of the total investments reported above. The securities being held are not reported as a part of the total investments. The Commonwealth retains the interest income on the securities being transferred and received a fee of 10.0 basis points from July 1, 2000 to January 31, 2001, and 75% of the profit earned by the agent with a floor of 10.0 basis points from February 1, 2001 to June 30, 2001. During the year, the Commonwealth earned

\$2,073,889 in securities lending income. On June 30, 2001, the market value of the securities transferred was \$1,470,013,734 and the market value of the securities the Commonwealth was holding was \$1,502,684,135. The collateralization requirements and monitoring procedures in the securities lending program are the same as those requirements in regard to repurchase agreements. At year end, the Commonwealth had no credit risk exposure to borrowers because the amounts the Commonwealth owes the borrowers exceed the amounts the borrowers owe the Commonwealth.

**Options** - The Commonwealth's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The Commonwealth selectively utilizes put and call options on United States Treasury securities. These options are on a covered basis, where the Commonwealth holds either cash or securities sufficient to meet the obligation, should the option be exercised. On June 30, 2001, the portfolio had no obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par after a specific date.

**Note 6**

**GENERAL FIXED ASSETS**

*A statement of changes in general fixed assets for the year ended June 30, 2001, is presented below (Expressed in Thousands):*

	Land	Buildings	Machinery and Equipment	Construction in Progress	Totals
Balance June 30, 2000, as restated	\$ 72,599	\$ 505,497	\$ 301,317	\$ 179,554	\$ 1,058,967
Additions	14,638	17,603	52,828	56,486	141,555
Deletions	(1,702)	(6,244)	(26,072)	(44,495)	(78,513)
Balance June 30, 2001	<u>\$ 85,535</u>	<u>\$ 516,856</u>	<u>\$ 328,073</u>	<u>\$ 191,545</u>	<u>\$ 1,122,009</u>

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**Note 7**

**INTERFUND TRANSACTIONS**

*The table below shows the interfund receivables and payables and interfund operating transfers for fiscal year 2001 (Expressed in Thousands):*

Interfund Receivables and Payables			Transfers In/Out		
Fund	Interfund Receivable	Interfund Payable	Fund	Operating Transfers In	Operating Transfers Out
General	\$ 7,163	\$ 16,345	General	\$ 238,963	\$ 1,731,984
Special Revenue:			Special Revenue:		
Transportation	82,217	83,743	Transportation	3,457	164,880
Federal	101,968	81,989	Federal	8,196	16,797
Agency Revenue	74,197	22,391	Agency Revenue	387,706	226,667
Other Special Revenue	144	66,776	Other Special Revenue	182,422	375,150
Turnpike Authority		66,900	Turnpike Authority	113,465	148,871
Debt Service	66,900		Debt Service	335,640	3,089
Capital Projects	24	76	Capital Projects		313,539
Enterprise:			Enterprise:		
State Parks	200	316	State Parks	37,325	2,545
Horse Park	3		Kentucky Lottery Corporation		157,030
Insurance Administration		12,527	Horse Park	1,751	12
Internal Service:			Insurance Administration	60,370	13,353
Fleet Management		17	Internal Service:		
Computer Services	4,089	21	Fleet Management		1,500
Prison Industries	820	92	Computer Services	3,831	5,071
Central Printing	186		Prison Industries	12,840	9
Property Management	550	19	Central Printing		
Risk Management	160	102	Property Management	2,597	
Fiduciary Funds:			Risk Management		3,282
Unemployment Compensation	1		Fiduciary Funds:		
Special Benefits	17,197	702	Unemployment Compensation	47	11,377
Special Deposit Trust		3,781	Special Benefits	378,068	19,537
Component Units:			Component Units:		
Proprietary		22	Governmental	110,395	53,118
Universities and Colleges	109,314	109,314	Proprietary	100,615	3,926
			Universities and Colleges	1,274,065	16
Totals per financial statements:	<u>\$ 465,133</u>	<u>\$ 465,133</u>	Totals per financial statements:	<u>\$ 3,251,753</u>	<u>\$ 3,251,753</u>

## Note 8

### PENSION PLANS

Under the provisions of Kentucky Revised Statutes (KRS) 61.645, the Board of Trustees of the Kentucky Retirement Systems administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS).

The Commonwealth contributes to the KERS, a multiple-employer cost sharing defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. The System's administrative budget and employer contribution rates are subject to the approval of the Kentucky General Assembly. Employee contribution rates are set by the statute and may be changed only by the Kentucky General Assembly.

The Commonwealth is the predominant employer for KERS and for note disclosure purposes will be considered as a single employer plan.

CERS, a multiple employer cost sharing defined benefit pension plan, provides for retirement, disability, and death benefits to plan members.

SPRS is a single-employer defined benefit plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature.

The allocation of insurance premiums paid by the Fund and amounts withheld from members' benefits is based on years of service with the Systems, as follows:

Years of Service	Percent Paid by Insurance Fund	Percent Paid by Member Through Payroll Deduction
20 or More	100%	0%
15-19	75%	25%
10-14	50%	50%
4 - 9	25%	75%
Less Than 4	0%	100%

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

The Judicial Retirement Plan is a single employer defined benefit plan which provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The Legislators' Retirement Plan is a single employer defined benefit plan which provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased,

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if necessary, so that it equals an amount calculated by using a 1.925% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions to the plan are recognized when due and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plans.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The Judicial Form Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement System, P.O. Box 791, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-5310.

The Kentucky Teachers' Retirement System (KTRS) was established by

the 1938 General Assembly and is governed by Chapter 161 Section 220 through Section 990 of the Kentucky Revised Statutes. KTRS is a multiple-employer cost sharing defined benefit plan established to provide pension plan coverage for local school districts and other educational agencies in the state.

The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching are recognized in the fiscal year due. Plan investments are reported at fair value. Short-term securities are carried at cost, which approximates fair value. Fixed income and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and security pricing services. Real estate is primarily valued based on appraisals performed by independent appraisers.

Cost-of-living adjustments (COLA) are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

The Kentucky Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Employees Retirement System	Kentucky Teachers' Retirement System
Contribution rates:					
State	45.20%	22.84%	21.58%	5.89%-18.84%	13.105%-13.840%
Plan Members	5.00%	5.00%	8.00%	5%-7%	6.160%-9.855%
Portion of State Contribution for Health Insurance			21.58%	5.89%-12.66%	0.75%
Annual pension costs (in Thousands)	\$692	\$3,841	\$10,211	\$113,879	\$262,800
Contributions made (in Thousands)	\$692	\$3,878	\$9,629	\$114,210	\$262,800
Actuarial valuation date	June 30, 2000	June 30, 2000	June 30, 2000	June 30, 2000	June 30, 2001
Actuarial cost method	Projected unit credit	Projected unit credit	Entry age normal	Entry age normal	Projected unit credit
Amortization method	Interest + 1% Unfunded past liability	Interest + 1% Unfunded past liability	Level percent closed	Level percent closed	Level percent open
Remaining amortization period	25 years	25 years	30 years	30 years	4 years
Asset valuation method	Cost	Cost	Five yr. average of market to book	Five yr. average of market to book	Five yr. average of market to book
Actuarial assumptions:					
Investment rate of return	7.00%	7.00%	8.25%	8.25%	7.50%
Inflation Rate			3.50%	3.50%	4.00%
Projected salary increases	5.50%	5.50%	6.50%	6.50%	4.00%-8.10%
Increase in Health Insurance Cost	6%-10%	6%-10%	7.5%-10%	7.5%-10%	9%-13.5%
(Dollar amounts in thousands)					
Annual Required Contributions (ARC)	\$ 692	\$ 3,878	\$ 9,635	\$ 111,808	\$ 262,800
Int. on Net Pension Obligation(NPO)	0	260	836	5,273	0
Adjustment to ARC	0	(298)	(508)	(3,202)	0
Annual pension cost	692	3,841	9,963	113,879	262,800
Contributions made	692	3,878	9,629	114,210	262,800
Increase (Decrease) in NPO	0	(37)	334	(331)	0
NPO beginning of year	0	3,719	10,133	63,913	0
NPO end of year	\$ 0	\$ 3,682	\$ 10,467	\$ 63,582	\$ 0

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>Kentucky Employees Retirement System</u></b>						
<b><u>Non-Hazardous</u></b>						
June 30, 1999	\$ 5,264,340,397	\$ 4,327,622,821	\$ (936,717,576)	1.216	\$ 1,330,766,100	(0.704)
June 30, 2000	6,806,675,460	4,876,825,772	(1,929,849,688)	1.396	1,409,504,668	(1.369)
June 30, 2001	6,844,742,687	5,444,035,294	(1,400,707,393)	1.257	1,505,299,220	(0.931)
<b><u>Hazardous</u></b>						
June 30, 1999	\$ 259,839,319	\$ 204,282,788	\$ (55,556,531)	1.272	\$ 103,464,123	(0.537)
June 30, 2000	336,213,464	243,365,557	(92,847,907)	1.382	115,639,439	(0.803)
June 30, 2001	361,677,475	285,193,761	(76,483,714)	1.268	122,857,992	(0.623)
<b><u>State Police Retirement System</u></b>						
June 30, 1999	\$ 357,623,196	\$ 314,021,673	\$ (43,601,523)	1.139	\$ 40,433,405	(1.078)
June 30, 2000	459,168,574	336,579,763	(122,588,811)	1.364	43,619,383	(2.810)
June 30, 2001	456,160,709	356,211,860	(99,948,849)	1.281	44,646,678	(2.237)
<b><u>Judicial Retirement Plan</u></b>						
June 30, 1999	\$ 244,347,903	\$ 165,220,509	\$ (79,127,394)	1.479	\$ 21,491,692	(3.682)
June 30, 2000	271,044,593	179,117,938	(91,926,655)	1.513	24,031,129	(3.825)
June 30, 2001	280,506,852	172,720,874	(107,785,978)	1.624	25,520,504	(4.224)
<b><u>Legislators' Retirement Plan</u></b>						
June 30, 1999	\$ 61,609,860	\$ 41,746,335	\$ (19,863,525)	1.476	\$ 3,080,000	(6.449)
June 30, 2000	66,971,719	45,253,158	(21,718,561)	1.480	2,887,500	(7.522)
June 30, 2001	70,852,489	47,068,104	(23,784,385)	1.505	5,075,759	(4.686)
<b><u>Kentucky Teachers' Retirement System</u></b>						
June 30, 1999	\$ 11,958,600,000	\$ 12,288,200,000	\$ 329,600,000	0.973	\$ 2,041,400,000	0.161
June 30, 2000	12,759,600,000	13,330,400,000	570,800,000	0.957	2,133,700,000	0.268
June 30, 2001	13,299,200,000	14,642,100,000	1,342,900,000	0.908	2,213,800,000	0.607

Membership of the retirement systems, at June 30, 2001, is shown in the following table:

	Kentucky Employees Retirement System		County Employees Retirement System		State Police Retirement System	Judicial Retirement Plan
	Non-Hazardous	Hazardous	Non-Hazardous	Hazardous		
Retirees and beneficiaries receiving benefits	25,118	1,053	24,415	3,221	842	221
Terminated plan members - vested	3,312	123	4,080	148	12	23
Terminated plan members - non-vested	13,429	799	24,276	462	78	
Active plan members	47,780	4,228	78,773	8,586	1,016	252
Total members	89,639	6,203	131,544	12,417	1,948	496
Number of participating employers	408		1,297		1	1



**COMMONWEALTH OF KENTUCKY**  
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**Three year trend for contributions**  
**(Expressed in Thousands)**

<u>Kentucky Employees Retirement System</u>		<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
<u>Non-Hazardous</u>			
1999	\$	106,861	100.6%
2000		113,183	101.7%
2001		88,662	101.9%
<u>Hazardous</u>			
1999	\$	19,306	100.7%
2000		21,578	100.3%
2001		23,146	103.1%
<u>State Police Retirement System</u>			
1999	\$	9,465	99.9%
2000		10,211	100.0%
2001		9,634	99.9%
<u>Judicial Retirement Plan</u>			
1999	\$	5,984	102.2%
2000		5,984	102.2%
2001		3,878	100.0%
<u>Legislators' Retirement Plan</u>			
1999	\$	1,547	109.7%
2000		1,547	109.7%
2001		692	100.0%
<u>Teachers' Retirement System</u>			
1999	\$	288,500	100.0%
2000		311,300	100.0%
2001		262,800	100.0%

**Note 9**

**EMPLOYEE BENEFIT PLANS**

**A. Self-Insured Health Care**

The Kentucky Kare Health Insurance Authority Board of Directors withdrew the Kentucky Kare Self Insured Health Kare Plan from open enrollment for the Plan Year 1999. Prior to 1999 the Plan had been offered as one of ten health insurance options to employees

of the Commonwealth, local boards of education, local health departments and retirees under the age of 65. Under health care reform, individuals, municipal governments, and qualified small businesses were also eligible to purchase health insurance from the Commonwealth's self-insured plan. The Plan is administered by third parties responsible for the processing of claims, cost containment, and utilization review. Kentucky Kare had no active contracts. The third party administrators will continue paying claims incurred for the last year the Plan was offered.

**B. Deferred Compensation**

Employees of the Commonwealth, its cities, counties, and local school districts are eligible to participate in two deferred compensation plans as authorized by the United States Internal Revenue Code. These plans, labeled 457 and 401(k), after sections of the Code, are administered by the Personnel Cabinet and an independent Plan administrator. The Commonwealth, through a board of trustees as defined in KRS 18A.245, selects the administrator to oversee the daily operations and technical compliance of the Plans with applicable sections of the Internal Revenue Code. The Commonwealth's responsibilities consist of withholding payroll deductions for its employees, collecting employee withholdings of the cities, counties, and local school districts, and remitting those withholdings to the insurance companies holding fixed and variable annuity contracts (carriers). Both Plans permit employees to defer collecting a portion of their salary until future years. This deferment is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the 457 Plan are reported in an Expendable Trust Fund within the fiduciary fund type, in compliance with Internal Revenue Code and GASB 32 requirements.

Of the \$474,907,000 in the 457 Plan at June 30, 2001, \$296,658,000 was applicable to the Commonwealth, while the remaining \$178,249,000 represents assets of the other jurisdictions participating in the Plan.

**Note 10**

**LEASE OBLIGATIONS**

The Commonwealth has entered into various leases for land, buildings, and equipment. Generally, leases contain termination clauses providing for cancellation after 30, 60, or 90 days written notice. In addition, certain leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

Changes in leases payable accounted for in the General Long-Term Obligation account group for the year ended June 30, 2001, are summarized in Note 15.

A portion of the capital lease liability for the University and College Fund is applicable to leases with the Commonwealth.

<u>Legislators' Retirement Plan</u>	<u>Kentucky Teachers' Retirement System</u>	<u>Totals</u>
114	31,894	86,878
59	5,710	13,467
119	54,236	39,044
292	91,840	194,990
1	202	334,379
		1,910

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
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*At June 30, 2001, capitalized leases included buildings and equipment as follows (Expressed in Thousands):*

Equipment acquired through capital leases is recorded at the lesser of fair market value or present value of future minimum lease payments.

	Primary Government		Component Units
	Proprietary Fund Types	General Fixed Assets	
Buildings	\$	\$	\$ 82,299
Equipment	7,200	4,642	29,094
Total	7,200	4,642	111,393
Less: Accumulated Amortization	(1,579)		
Total, Net of Amortization	\$ 5,621	\$ 4,642	\$ 111,393

*Future minimum rental commitments for capitalizable leases as of June 30, 2001, are as follows (Expressed in Thousands):*

	Primary Government			Component Units	Total
	Long-term Obligations Account Group	Enterprise Funds	Internal Service Funds	University and College Funds	
2002	\$ 1,092	\$ 39	\$ 1,781	\$ 14,187	\$ 17,099
2003	768	34	1,642	13,253	15,697
2004	353	9	1,355	10,511	12,228
2005	123		133	9,004	9,260
2006	26			7,768	7,794
Thereafter				84,856	84,856
Totals	2,362	82	4,911	139,579	146,934
Less: Amounts representing Interest (4.5 to 26.5%)	209	6	357	44,003	44,575
Present value of future minimum lease payments	\$ 2,153	\$ 76	\$ 4,554	\$ 95,576	\$ 102,359

**Note 11**

**RISK MANAGEMENT**

The Commonwealth is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commonwealth utilizes the Risk Management Fund to account for these activities.

**Fire and Tornado Insurance:**

The Fire and Tornado Insurance Program is established to account for and finance its uninsured risk of loss arising from damages to State buildings and personal property. Under this program, coverage is provided for up to a maximum of \$300,000 per occurrence of loss for each insured subject of risk. The Fire and Tornado Insurance Program purchases reinsurance for claims in excess of coverage provided by the Program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The claims liability of \$1,127,623 reported in the Program at June 30, 2001, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in Fiscal Years 2001 and 2000 were:

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 893,225	\$ 893,225
Incurred Claims	1,941,963	1,151,498
Changes in Estimates		
Claim Payments	(1,707,565)	(1,151,498)
Balance at Fiscal Year End	\$ 1,127,623	\$ 893,225

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
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**Self Insured Workers' Compensation:**

The Workers' Compensation Program is self-insurance for the benefit of the Commonwealth's employees, and others as described in KRS 18A.370. Losses payable by the Program include medical claims and loss of wages as a result of an employment related injury. Premiums are established based upon estimated claims and administrative cost for the coming fiscal year. The Program carries reinsurance coverage for large individual or incident claims between \$5,000,000 and \$20,000,000.

The actuarial determined aggregate claims liability of \$80,696,544 reported in the Program at June 30, 2001, includes both reported and unreported insured events, including estimates of future payments of losses and related claims' adjustments. Changes in the Program's claims liability amount in Fiscal Years 2001 and 2000 were:

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 19,491,107	\$ 17,877,633
Claims and Claims Adjustments Incurred	3,653,895	4,908,957
Changes in Estimates		
Claims and Claims Adjustment Payments	(3,321,445)	(3,295,483)
Balance at Fiscal Year End	\$ 19,823,557	\$ 19,491,107

**Note 12**

**RISK POOLS**

The Commonwealth's risk pools, which are reported as enterprise funds, are the Insurance Administration Fund and the Grain Insurance Fund. The Insurance Administration Fund includes the operations of six risk pools, as follows: Kentucky Kare, Workers' Compensation Insurance, Coal Workers Pneumoconiosis, Petroleum Storage Tank Assurance, Bond Pool, and Mine Subsidence Insurance. The Insurance Administration Fund is reported as part of the primary government. The Grain Insurance Fund is a risk pool reported as a discrete component unit.

**Risk Pools - Enterprise Funds**

**Kentucky Kare:**

Kentucky Kare was a self-insured health care Plan offered to employees of the state, local boards of education, local health departments, and retirees under the age of 65 of the Kentucky Retirement systems and private individuals and businesses. The last year the Plan was offered was calendar year 1998. At its board meeting on November 24, 1998, the board members voted to withdraw the Plan from open enrollment for the 1999 calendar year. This Plan was administered by a third party responsible for the processing of claims, cost containment, and utilization review. The third party administrators will continue operations until all claims for the last plan year have been satisfied.

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 60,517,697	\$ 54,313,816
Claims and Claims Adjustments Incurred		
Current Year	19,097,065	15,323,932
Prior Year	14,647,811	3,241,656
Total Claims and Claims Adjustments Incurred	33,744,876	18,565,588
Claims and Claims Adjustment Payments		
Current Year	(3,790,048)	(3,127,586)
Prior Year	(9,775,981)	(9,234,121)
Total Claims and Claims Adjustment Payments	(13,566,029)	(12,361,707)
Balance at Fiscal Year End	\$ 80,696,544	\$ 60,517,697

**Transportation Cabinet Workers' Compensation:**

The Transportation Cabinet's Self-Insured Worker's Compensation Trust Program (the "Program") was organized on July 1, 1963, as a self-insurance fund administered by the Transportation Cabinet of the Commonwealth of Kentucky (the "Cabinet"). The purpose of the Program is to provide workers' compensation insurance to the employees of the Cabinet. The losses incurred by the Program are serviced by a designated third-party administrator who processes and reports all claims to the Program.

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
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The following represents changes in this liability for the Plan during the past two years:

	Fiscal Year 2001	Fiscal Year 2000
Beginning Unpaid Claims Liability	\$ 0	\$ 1,651,000
Claims Incurred:		
Current Year	93,711	
Increase (Decrease) In Prior Years		(1,363,361)
Total Incurred Claims	93,711	
Claims Paid:		
Current Year	93,711	
Prior Years		287,639
Total Payments	93,711	287,639
Ending Unpaid Claims	\$ 0	\$ 0

**Workers' Compensation Insurance:**

The Kentucky Workers' Compensation Insurance Program, a risk sharing pool, covers pre-existing conditions to protect employers from having to pay for injuries not sustained in their employ, or more than once for disabilities resulting from the same accident. This Program encourages re-employment of injured workers at adequate wages by relieving the employer of the requirement of paying disability compensation in addition to full wages. The Program also covers claims against uninsured employers.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$991,725,212 as reported in the financial statements, is the present value of the aggregate actuarial determined claims liability of \$2,286,214,198, discounted at 7.0%, and the net of the estimated realizable value of reimbursements. The claims adjusted liability of \$37,883,885, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$87,725,890, discounted at 7.0%.

The actuarial determined liabilities described above arise from projections included in an actuarial report dated June 30, 2001. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years are:

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 2,314,558,183	\$ 2,400,849,016
Claims and Claims Adjustments Incurred	159,377,394	27,338,895
Changes in Estimates	0	(6,463,456)
Claims and Claims Adjustment Payments	(99,995,489)	(107,166,272)
Balance at Fiscal Year End	\$ 2,373,940,088	\$ 2,314,558,183

**Coal Workers Pneumoconiosis Fund:**

The Coal Workers' Pneumoconiosis Fund (CWPF) was created within the Labor Cabinet through the enactment of House Bill No. 1 by the December 1996 Special Session of the General Assembly. The CWPF is liable for one-half of the income benefits and retraining incentive benefits for occupational pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal. The employer is liable for the remaining one-half.

In accordance with House Bill No. 1 from the December 1996 Special Session, the Kentucky Workers' Compensation Funding Commission shall impose a pneumoconiosis assessment to prefund the liabilities of the CWPF and to finance its administration. The assessment is three percent (3%) of workers' compensation premiums received on or after January 1, 1997, from employers engaged in the severance or processing of coal and an additional assessment of \$0.025 per ton imposed upon coal severed on or after January 1, 1997. All pneumoconiosis assessments collected by the Funding Commission are to be credited to a separate account within the Benefit Reserve Fund and to be transferred as necessary to pay administrative expenses and current claims of the CWPF.

The Coal Workers' Pneumoconiosis Fund establishes claims liability based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$917,578, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$1,306,757 discounted at 7.0%. The claims adjustment liability of \$1,180,329, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$1,680,950, discounted at 7.0%.

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
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Changes in the aggregate liability for claims and claims adjustments for the past two years are as follows:

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 11,135,285	\$ 11,265,270
Claims and Claims Adjustments Incurred	(8,027,078)	232,754
Changes in Estimates		
Claims and Claims Adjustment Payments	(120,500)	(362,739)
Balance at Fiscal Year End	\$ 2,987,707	\$ 11,135,285

As stated above, the Coal Workers' Pneumoconiosis Fund was created by the December 1996 Special Session of the General Assembly. Therefore, there are no provisions for claims prior to 1997.

**Petroleum Storage Tank Environmental Assurance Program:**

The Office of the Petroleum Storage Tank Environmental Assurance Program, a risk sharing pool, was created in the 1990 regular session of the Kentucky General Assembly. The purpose of the Program is to assist petroleum storage tank owners or operators in complying with federal financial responsibility requirements relating to petroleum storage tanks and in cleaning up contamination caused by leaking tanks. The Program is funded by a fee paid by dealers on each gallon of gasoline and special fuels received in the Commonwealth at a rate of one and four-tenths (\$.014) cents per gallon.

The Program insures petroleum storage tank owners or operators for cost incurred for cleanup and other corrective action required in cleaning up contamination caused by leaking petroleum storage tanks. The Program also provides coverage for third party claims against the owners or operators for damages sustained as a result of leaking storage tanks. Claims paid by the Program are subject to deductibles which are applied separately, by occurrence, for cleanup claims and third party damage claims. The deductible is set at \$1,000 per occurrence for owners or operators of five or less tanks, and at \$5,000 for owners or operators of six to ten tanks, and at \$25,000 for owners of more than ten tanks.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$283,900,000 reported in the financial statements, is the aggregate actuarial determined claims liability and is not discounted. The claims adjustments liability of \$35,500,000 reported in the financial statements is the actuarial determined aggregate liability and is not discounted.

Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years are:

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 493,600,000	\$ 515,100,000
Claims and Claims Adjustments Incurred	54,500,000	56,000,000
Changes in Estimates		
Claims and Claims Adjustment Payments	(228,700,000)	(77,500,000)
Balance at Fiscal Year End	\$ 319,400,000	\$ 493,600,000

**Bond Pool:**

The Bond Pool was established in 1986 to provide an alternative bonding program for small to medium sized coal companies in Kentucky. Membership in the Pool is voluntary and prospective members must apply to become members. Applicants must meet standards set by the Bond Pool Commission to be accepted as members of the Bond Pool. These standards, used to evaluate potential Bond Pool members, consider factors such as mining experience, reclamation history, and financial condition of the applicant.

Accepted members are rated by the Commission based on the standards considered in the application process. The members are rated and assessed an initial membership fee based on this rating. This fee ranges from \$1,000 to \$2,500. Additionally members pay tonnage fees of \$.05 per ton of surface mined coal and \$.01 per ton for underground mined coal. Provisions are also in effect where the tonnage fee is suspended for members who have participated in the Program for 36 months, or when the Program balance exceeds \$7 million.

The coal companies participating in the Program are required to post a permit specific bond based on the number of acres permitted and their rating in the Program. The Bond Pool in turn provides coverage for reclamation costs that exceed the permit specific bond but limits claims to the total amount of bond required by the permit. The Bond Pool does not pay claims for costs incurred in excess of the required bond amount.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$6,538,379 as reported in the financial statements, is the aggregate actuarial determined claims liability. The claims adjustment liability of \$2,076,706 is the actuarial determined aggregate liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years are:



**COMMONWEALTH OF KENTUCKY**  
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	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 5,459,494	\$ 3,459,494
Claims and Claims Adjustments Incurred	3,155,586	2,000,000
Changes in Estimates		
Claims and Claims Adjustment Payments		
Balance at Fiscal Year End	<u>\$ 8,615,080</u>	<u>\$ 5,459,494</u>

**Mine Subsidence Insurance:**

The Mine Subsidence Insurance Program is administered by the Department of Insurance. The provisions of the Program require that all insurance policies issued or renewed that insure a structure located in any county in the Commonwealth, except those specifically exempted by KRS 304.44-60, shall include a separately stated premium for mine subsidence damage coverage. This premium is assessed at the amount determined by the Program and the insurer is required to code this coverage to the Program. The insurer may refuse to provide coverage where pre-existing damage is determined to exist. The Program provides coverage subject to a deductible of 2% of the policy's total insured value or not less than \$250 and not more than \$500. The Mine Subsidence Program also limits its coverage to \$50,000 per structure.

The claims liability of \$36,000 reported in the Program at June 30, 2001, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in Fiscal Years 2001 and 2000 were:

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 100,000	\$ 450,000
Claims and Claims Adjustments Incurred	(1,892)	359,128
Changes in Estimates		
Claim and Claims Adjustment Payments	(62,108)	(709,128)
Balance at Fiscal Year End	<u>\$ 36,000</u>	<u>\$ 100,000</u>

**Risk Pools - Component Units**

**Grain Insurance:**

The Grain Insurance Program is established to promote economic stability in agriculture by providing coverage to grain producers for losses incurred in the event of a financial failure of a grain dealer or

grain warehousemen. The Program is funded by a half-cent per bushel assessment on all marketed grain produced in Kentucky. The Program also has provisions that the assessment can be suspended when the balance of the Program reaches \$3 million and if suspended will be reapplied when the balance of the Program drops to \$2 million.

No claims liability was reported in the Program at June 30, 2001, based on the requirements of GASB 10, which states that a liability for claims be reported, if information prior to the issuance of the financial statements indicates that a probable liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in Fiscal Years 2001 and 2000 were:

	Fiscal Year 2001	Fiscal Year 2000
Beginning of Fiscal Year Liability	\$ 0	\$ 0
Claims and Claims Adjustments Incurred		
Changes in Estimates	0	0
Claims and Claims Adjustment Payments	0	0
Balance at Fiscal Year End	<u>\$ 0</u>	<u>\$ 0</u>

**Note 13**

**DEFEASANCE OF LONG-TERM DEBT**

The State Property and Buildings Commission issued \$47,060,000 of Revenue Refunding Bonds, Project 68 (Second Series), dated January 1, 2001. The net proceeds of this issue were \$47,395,755 with a premium of \$730,196 and issuance cost and underwriters' discounts of \$394,441. The net proceeds were placed in an escrow account to advance refund the 2008, 2009, and 2010 maturities of Project 68 bonds. The net savings (reduction in cash flow) for the Refunding Bonds will be \$6,116,830. The present value is \$3,015,559 at a rate of 6.50586%.

The State Property and Buildings Commission issued \$512,155,000 of Revenue and Revenue Refunding Bonds, Project 69 Series A, Series B, Series C, and Series D. \$292,305,772 of the proceeds were placed in an escrow account(s) to advance refund a portion of Project 54, Project 56, Project 59, Project 64, Project 65, and current refund a portion of Project 40 (second Series), Project 53, and Project 54. The net savings (reduction in cash flow) for the Refunding Bonds will be \$12,991,975. The present value is \$8,220,151 at a rate of 4.62044%.

The Kentucky School Facilities Construction Commission issues revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities. The Commission participates in the payment of debt service

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for qualifying districts. By statute, the Commission's portion of the savings from refunding issues goes to the school district. Therefore, the Commission's participation remains unchanged. Proceeds from the refunding issues are placed in escrow accounts to pay the future debt service on the issue(s) refunded. During the fiscal year ended June 30, 2001 the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated March 15, 2001, were issued for the Floyd County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$1,312,685 maturing April 1, 2002 through April 1, 2011 and carrying interest rates from 3.50% to 4.20%.

Revenue refunding bonds dated April 1, 2001, were issued for the Ashland Independent School District Finance Corporation to refund 1992 Series A & B issues. The Commission's portion of the refunding issue was \$201,601 maturing February 1, 2002 through February 1, 2012 and carrying interest rates from 3.40% to 4.10%.

Revenue refunding bonds dated April 1, 2001, were issued for the Garrard County School District Finance Corporation to refund a 1994 issue. The Commission's portion of the refunding issue was \$187,793 maturing November 1, 2001 through November 1, 2011 and carrying an interest rate of 4.00%.

Revenue refunding bonds dated April 1, 2001, were issued for the Jefferson County School District Finance Corporation to refund a 1993 issue. The Commission's portion of the refunding was \$2,493,121 maturing January 1, 2002 through January 1, 2013 and carrying interest rates of \$4.25% to 4.50%.

Revenue refunding bonds dated April 1, 2001, were issued for the Middlesboro Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$66,630 maturing June 1, 2002 through June 1, 2011 and carrying interest rates of 3.50% to 4.20%.

Revenue refunding bonds dated April 1, 2001, were issued for the Augusta Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$189,005 maturing August 1, 2001 through August 1, 2010 and carrying interest rates of 3.50% to 4.30%.

Revenue refunding bonds dated April 1, 2001, were issued for the Science Hill Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$232,469 maturing October 1, 2001, through October 1, 2011 and carrying an interest rate of 4.00%

Revenue refunding bonds dated May 1, 2001, were issued for the West Point Independent School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue

was \$134,683 maturing November 1, 2001 through November 1, 2011 and carrying interest rates of 3.80% to 4.35%.

Revenue refunding bonds dated April 1, 2001, were issued for the Bullitt County School District Finance Corporation to refund 1989 & 1991 issues. The Commission's portion of the refunding issue was \$337,510 maturing September 1, 2001 through September 1, 2008 and carrying interest rates of 3.40% to 4.20%.

Revenue bonds dated April 1, 2001, were issued for the Owen County School District Finance Corporation and a portion of this issue was used to refund a 2000 issue. The Commission's portion of the issue was \$2,141,601 maturing April 1, 2002 through April 1, 2021 and carrying interest rates of 4.00% to 5.00%.

Revenue refunding bonds dated May 1, 2001, were issued for the Graves County School District Finance Corporation to refund 1991 & 1994 issues. The Commission's portion of the refunding issue was \$1,876,107 maturing December 1, 2001 through December 1, 2014 and carrying interest rates of 3.40% to 4.50%.

Revenue refunding bonds dated June 1, 2001, were issued for the Clark County School District Finance Corporation to refund a 1992 issue. The Commission's portion of the refunding issue was \$1,307,856 maturing May 1, 2002 through May 1, 2012 and carrying interest rates of 2.75% to 4.25%.

Revenue refunding bonds dated February 1, 2001, were issued for the Caverna Independent School District Finance Corporation to refund a 1990 issue. The Commission's portion of the refunding issue was \$329,035 maturing June 1, 2001 through December 1, 2009 and carrying interest rates of 3.75% to 4.00%.

Revenue refunding bonds dated May 1, 2001, were issued for the Webster County School District Finance Corporation to refund a 1991 issue. The Commission's portion of the refunding issue was \$936,062 maturing September 1, 2001 through September 1, 2011 and carrying interest rates of 4.00% to 4.25%.

### **Component Units**

The University of Kentucky issued \$18,795,000 Consolidated Educational Building Revenue Refunding Bonds (CEBRB) Series N (Second Series) at a net interest cost of 4.525%, representing a full refunding of the original CEBRB Series N bonds, dated June 1, 1992. The refunding will defease \$17,690,000 Series N bonds outstanding as of June 30, 2001. The refunding will decrease the University's debt service payment over the next eleven years by \$827,685, representing an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$637,379.



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The Turnpike Authority of Kentucky issued Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2001 Series A and Series B in the aggregate principal amount of \$213,435,000. The proceeds of the Bonds were used to provide funds for the refunding of certain of the Authority's Economic Development Road Revenue bonds. The bonds to be refunded are Series 1993 (maturing July 1, 2011 through July 1, 2013), Series 1995 (maturing July 1, 2009 through July 1, 2015), and Series 2000 (maturing July 1, 2007 through July 1, 2013). Proceeds were deposited in an escrow account to pay the future debt service requirements of the bonds being refunded. The economic gain is the difference between the present value of the old and new debt. The economic gain on the advance refunding is \$8,135,891.

<b>Note 14</b>
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**RELATED ORGANIZATIONS**

The Commonwealth has several related organizations. The financial activities of these organizations are not included in the Commonwealth's financial statements. They are the East Kentucky Corporation, West Kentucky Corporation, West Kentucky Economic Development Fund, Northern Kentucky Convention Center Corporation, Kentucky Employer's Mutual Insurance Authority and the Interstate Air Pollution Control Commission. The Commonwealth holds no economic interest in, nor has any financial responsibility for these organizations.

## Note 15

### LONG-TERM OBLIGATIONS

**General Obligation Bonds** are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 2001.

**Revenue Bonds** - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes. Specific authority is contained in the legislation and related KRS chapters creating and empowering the various debt issuing entities. Reference to such legislation and laws is made throughout the following entity descriptions. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special sessions. Succeeding statutes establish the methods for this approval and the exemptions from it. The majority of new debt issues are approved through the appropriation act. Per KRS 56.873, effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring Commonwealth appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued

by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such "municipal debt," whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky Pollution Abatement and Water Resources Finance Authority, requires no State funds of any type to provide "debt service," principal and interest payments on the debt. The School Facilities Construction Commission supplements funds provided by local governments and school boards in varying percentages for debt service. The Kentucky Infrastructure Authority may accept appropriations made by the General Assembly, in addition to State and Federal grants, related to the purposes for which it was created. This distinction is important in analyzing the true level of "State" debt and the "burden" of that debt on State resources.

During the fiscal year ended June 30, 2001, the debt issuing entities described below sold revenue and revenue refunding bonds as follows:

*The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 2001, are as follows (Expressed in Thousands):*

General Long-Term Obligations Account Group	Principal Outstanding	Interest Rate	Annual Maturity To
Agency: State Property & Buildings Commission	\$ 1,620,706	3.1% - 7.65%	2018
Turnpike Auth. of Kentucky	1,324,133	4.9% - 9.7%	2019
Total	<u>\$ 2,944,839</u>		

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*Future revenue bond debt service requirements, to be paid with State funds, at June 30, 2001, are as follows (Expressed in Thousands):*

Year Ending June 30,	Principal	Interest	Totals
2002	\$ 208,248	\$ 145,265	\$ 353,513
2003	224,933	137,026	361,959
2004	240,956	127,043	367,999
2005	200,065	116,671	316,736
2006	199,699	105,635	305,334
Thereafter	1,870,938	519,012	2,389,950
	<u>\$ 2,944,839</u>	<u>\$ 1,150,652</u>	<u>\$ 4,095,491</u>

Component Unit Revenue Bonds Payable	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky School Facilities Construction Commission	\$ 629,367	2.75% - 5.85%	2020
Kentucky Housing Corporation*	1,173,650	3.75% - 8.1%	2039
Kentucky Infrastructure Authority*	169,805	4.0% - 7.6%	2019
Kentucky Higher Education Student Loan Corporation	675,735	4.7% - 9.25%	2030
Kentucky Local Correctional Facilities Construction Authority*	34,475	4.65% - 5.5%	2014
University of Kentucky	229,826	3.0% - 6.5%	2024
University of Louisville	141,699	2.8% - 10.0%	2018
Eastern Kentucky University	47,375	3.0% - 6.5%	2021
Western Kentucky University	23,065	2.6% - 6.1%	2012
Murray State University	22,137	3.0% - 6.2%	2022
Morehead State University	27,280	3.0% - 7.15%	2021
Kentucky State University	15,535	4.8% - 6.3%	2014
Northern Kentucky University	45,035	3.0% - 7.8%	2021
Kentucky Community and Technical College System	<u>75,305</u>	3.0% - 7.2%	2011
Total Component Unit Revenue Bonds Payable	<u>\$ 3,310,289</u>		

\* Amounts reflect original issue.

*Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units, at June 30, 2001, are as follows (Expressed in Thousands):*

Year Ending June 30,	Principal	Interest	Totals
2002	\$ 177,758	\$ 170,007	\$ 347,765
2003	176,277	162,024	338,301
2004	167,248	154,095	321,343
2005	189,647	145,764	335,411
2006	160,177	136,583	296,760
Thereafter	2,439,182	1,567,706	4,006,888
	<u>\$ 3,310,289</u>	<u>\$ 2,336,179</u>	<u>\$ 5,646,468</u>

**The Kentucky State Property and Buildings Commission** is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of the Finance and Administration Cabinet, Secretary of the Revenue Cabinet, and Secretary of the Economic Development Cabinet.

The Commission is an independent agency of the Commonwealth created by KRS 56.450 and empowered upon application of any State agency to issue bonds in its own name to pay the costs of acquiring land and equipment, and the construction and equipping of buildings for the occupancy and/or use of said agencies.

The Commission issued \$762,945,000 in Revenue Bonds as follows:

\$126,920,000, Project 67, dated September 1, 2000, maturing serially each September 1, 2001 through 2019, at 4.20% to 5.625%; and

\$155,410,000, Project 68, dated October 1, 2000, maturing serially each October 1, 2001 through 2015, at 4.45% to 5.75%; and

\$47,060,000, Project 68 Second Series, dated January 1, 2001, with delayed serial maturities each October 1, 2016 through 2020 at 4.75% to 5.25%; and

\$422,935,000, Project 69 Series A, dated March 15, 2001, with \$407,440,000 in each August 1, 2001 through 2019 at 3.50% to 5.50%, and \$15,495,000 in term bonds due August 1, 2021 at 5.00%; and

\$10,620,000, Project 70 (Agency Funds Revenue Bonds), dated March 15, 2001, maturing serially each May 1, 2002 through 2021 at 3.50% to 5.00%.

**The Turnpike Authority of Kentucky** was created in the 1960 regular session of the General Assembly under present KRS sections 175.410 through 175.990 as a body corporate and politic constituting a municipal corporation, political subdivision, and instrumentality of the Commonwealth. The Authority is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of Transportation, Commissioner of Highways, State Highway Engineer, and Secretary of Economic Development. The Secretary of the Finance and Administration Cabinet currently serves as the Authority's Treasurer.

The Authority issued \$393,260,000 Economic Development Road Revenue and Revenue Refunding Bonds (Revitalization Projects) as follows:

\$179,825,000, Series 2000, dated November 15, 2000, maturing serially each July 1, 2001 through 2015 at 4.40% to 5.75%; and

\$152,960,000, 2001 Series A (Revenue Refunding Bonds), dated February 1, 2001, maturing each July 1, 2009 through 2015 at 4.20% to 5.50%; and

\$60,475,000, 2001 Series B (Revenue Refunding Bonds), dated March 1, 2001, maturing each July 1, 2016 through 2019 at 4.90% to 5.25%

**State Universities** - The Board of Trustees of the University of Kentucky and the Boards of Regents of the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for educational buildings under KRS 64.860 but is limited to \$16 million of refunding debt.

State supported universities issued \$83,490,000 in revenue and refunding revenue bonds as follows:

\$29,870,000, University of Kentucky, Consolidated Educational Buildings Revenue Bonds, Series Q, dated October 15, 2000, maturing serially each May 1, 2001 through 2020, at 4.75% to 5.25%; and

\$10,450,000, University of Kentucky, Housing and Dining System Revenue Bonds, Series R, dated December 1, 2000, maturing serially each June 1, 2001, through 2020, at 4.50% to 5.00%; and

\$20,510,000, University of Kentucky, Consolidated Educational Buildings Revenue Bonds, Series R, dated March 1, 2001 maturing serially each May 1, 2002 through 2021, at 4.00% to 5.00%; and

\$18,795,000, University of Kentucky, Consolidated Educational Buildings Refunding Revenue Bonds, Series N (Second Series), dated May 1, 2001, maturing serially each May 1, 2002 through 2012 at 4.00% to 4.25%; and

\$2,255,000, Eastern Kentucky University, Housing System Revenue Bonds, Series N, dated May 1, 2001, with \$1,930,000 in serial maturities each February 1, 2002 through 2019 at 3.75% to 4.90% and a \$325,000 term bond due February 1, 2021 at 5.08%; and

\$1,610,000, Murray State University, Housing and Dining System Revenue Bonds, Series O, dated June 1, 2001, with \$1,225,000 in serial maturities each September 1, 2004 through 2018 at 4.00% to 5.00%. Term Bonds total \$385,000, with \$15,000 due September 1, 2003 at 3.50% and \$370,000 due September 1, 2021 at 5.00%.

**The Kentucky Housing Corporation**, established in 1972 under KRS Chapter 198A, is a municipal corporation and political subdivision of the Commonwealth governed by a board of directors comprised of the Secretary of the Finance and Administration Cabinet, Commissioner of the Department for Local Government, Secretary of the Revenue Cabinet, Attorney General, Secretary of the Economic Development Cabinet, Lieutenant Governor, and eight

additional members appointed by the Governor. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonably equivalent terms and conditions. The Corporation is limited to a \$2.125 billion total maximum principal value of debt outstanding.

The Corporation issued \$158,850,000 in replacement refunding Housing Revenue Bonds as listed below:

Three series, dated September 1, 2000, aggregate principal of \$73,495,000, as follows:

\$1,225,000, 2000 Series E (NON-AMT), having term maturities of \$690,000 due July 1, 2017, at 5.65%, and \$535,000 due July 1, 2031, at 5.80%; and

\$47,270,000, 2000 Series F (AMT), having term maturities of \$6,080,000 due July 1, 2020, at 5.85%, \$19,390,000 due July 1, 2026, at 5.85%, and \$21,800,000 due July 1, 2031, at 5.95%, and

\$25,000,000, 2000 Series G (TAXABLE), term bond due July 1, 2018, at 7.39%.

Five series, expected date of delivery on or about May 22, 2001, aggregate principal \$85,355,000 at follows:

\$1,230,000, 2001 Series A (NON-AMT), term bond due July 1, 2021, at 5.45%; and

\$38,770,000, 2001 Series B (AMT), with serial maturities of \$7,380,000 each due January 1, and July 1, beginning January 1, 2003 through July 1, 2012 at 3.90% to 5.15%. Term bonds include \$3,790,000 due July 1, 2020, at 5.60%; \$5,500,000 due January 1, 2021, at 5.60%; \$11,230,000 due January 1, 2032 at 5.70% and \$10,870,000 due July 1, 2032, at 5.70%, and

\$14,145,000, 2001 Series C (NON-AMT), term bond due July 1, 2033, at 5.55%; and

\$21,210,000, 2001 Series D (NON-AMT), term bond due July 1, 2022, at 4.85%; and

\$10,000,000, 2001 Series E (TAXABLE), variable rate term bond due July 1, 2020.

**The Kentucky Infrastructure Authority** was created by House Bill 217, passed into law during the 1988 regular session of the Kentucky General Assembly, to assist governmental agencies of the State with respect to the construction and acquisition of infrastructure projects as defined in the legislation. Pursuant to this Act, which amends KRS Chapter 224A, all powers, duties, and obligations of the Kentucky

Pollution Abatement and Water Resources Finance Authority, including administration of debt service on revenue bonds previously issued by the Authority, are transferred to the Kentucky Infrastructure Authority, which is established as a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the State.

The Authority issued no bonds during the year ended June 30, 2001.

**The Kentucky Higher Education Student Loan Corporation** is empowered by KRS Chapter 164A to make and reinsure student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965, and as a body corporate and politic acts as a financing authority to assure a secondary market for insured student loans. The Corporation is governed by a seven member board of directors consisting of the Chairman of the Council on Higher Education, the Secretary of the Finance and Administration Cabinet, the Chairman of the Kentucky Higher Education Assistance Authority, and four members chosen from the general public. The Corporation is limited to a maximum principal outstanding of \$553 million.

The Corporation issued no bonds during the year ended June 30, 2001.

**The Kentucky Higher Education Assistance Authority** is the Commonwealth of Kentucky's agency for improving higher education opportunities by insuring eligible student loans and providing other financial aid and related services to eligible students. The Authority is an issuer of student loans pursuant to the Federal Higher Education Act of 1965, as amended (the ACT) in Kentucky and Alabama. As such, the Authority is responsible for issuing loan insurance, providing collection assistance to lenders for delinquent loans, paying lender claims for loans, and collecting defaulted loans on which claims have been paid.

On June 22, 2000, the Commonwealth of Kentucky State Property and Building Commission (the Commission) issued \$8,825,000 in bonds payable on behalf of the Authority. The proceeds of the bonds are to be used to house the Authority's operations located in Frankfort, Kentucky

The bonds bear interest from 4.85% to 5.75% with a maturity date of May 1, 2020 and are a special and limited obligation of the Commission. However, the bonds do not constitute a debt, liability, or obligation of the Commonwealth of Kentucky, or a pledge of the full faith and credit or taxing power of the Commonwealth, but are payable solely from amounts deposited in certain funds and accounts created by resolution and from rental income derived from the biennially renewable lease agreement with KHEAA.

The Authority entered into a two-year, renewable, financing/lease agreement with the Commission. The initial anniversary of the agreement is June 30, 2002, with the right to renew for nine additional two year periods.



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The agreement also contains a termination clause which can be activated by notification on the last business day of May preceding the anniversary date of renewal.

**The Kentucky Local Correctional Facilities Construction Authority** is a body corporate and politic as well as an agency and instrumentality of the Commonwealth created in 1982 pursuant to KRS 441.605 through 441.695, as amended, to provide additional and alternative methods for acquiring, constructing, improving or repairing, and financing both regional and local jail facilities.

The Authority issued no bonds during the year ended June 30, 2001.

**The Kentucky School Facilities Construction Commission** was created by act of the 1985 Extraordinary Session of the Kentucky General Assembly as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of the Authority, including refunding of then existing Authority debt. The Commission is an independent corporate agency and instrumentality of the Commonwealth pursuant to KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of local school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 2001, the Commission sold forty-two school building revenue bond issues having aggregate state participation of \$68,056,319 maturing through June 1, 2021, at interest rates of 2.75% to 5.85%. Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 2001, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001. Copies of this report are available from the Division of Statewide Accounting, Financial Reporting Branch, 483 Capitol Annex, Frankfort, Kentucky 40601.

**The Kentucky Agricultural Finance Corporation** is a public corporation and governmental agency of the Commonwealth established by Act of the 1984 General Assembly for the purpose of "improving and promoting the health, welfare, and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." The Authority's bond program is designed to help lender banks and other financial institutions assist eligible farmers in obtaining low interest loans through the issuance of tax-exempt agricultural revenue bonds. The Authority's debt does not constitute a legal or moral obligation of the Commonwealth, and this debt is not included in these general purpose financial statements.

The Corporation issued no bonds during the year ended June 30, 2001.

**The Kentucky Economic Development Finance Authority** established in 1958 under KRS Chapter 154, is an independent agency of the Commonwealth which operates in close cooperation with the Secretary of the Economic Development Cabinet to promote the industrial development of Kentucky.

The Authority issued no bonds during the fiscal year ended June 30, 2001.

**NOTES PAYABLE:**

At June 30, 2001, the following entities had notes payable as follows:

**The Kentucky Asset/Liability Commission**, created by House Bill 5 enacted by the 1997 Extraordinary Session of the Kentucky General Assembly, develops policies and strategies to minimize the impact of fluctuating interest rates on the Commonwealth's interest-sensitive assets and liabilities. It is authorized to issue tax and revenue anticipation notes, project notes and funding notes. Tax and revenue notes are to be used for the purpose of providing monies to discharge expenditure demands in anticipation of revenues and taxes to be collected during the fiscal year. Project notes are to be used for authorized projects upon request of the Finance and Administration Cabinet, to be repaid through financing agreements or alternative agreements. Funding notes are to be used for the purpose of funding judgements against the Commonwealth or any state agency.

\$73,875,000 is outstanding on Commission Notes as follows:

\$36,425,000 is outstanding on Project Notes, 1999 General Fund First Series, dated March 1, 1999, and is due serially each March 1, 2001 through 2006, at 3.40% to 4.125%.

\$37,450,000 is outstanding on Project Notes, 2001 General Fund First Series, dated February 1, 2001, and is due serially each February 1, 2002 through 2008, at 3.60% to 5.00%.

**Kentucky Higher Education Student Loan Corporation** had \$32,600,000 outstanding at June 30, 2001, from a line of credit agreement. This is a short-term borrowing to finance loans until bonds are issued.

**The Kentucky Housing Corporation** reported \$1,367,000 in notes payable for the current portion of long-term debt/Notes Payable during fiscal year 2001.

**The Kentucky Lottery Corporation** borrowed \$6,787,000 in December 1996 to fund renovation of real estate purchased to be used as new corporate headquarters. Monthly interest payments include 6.66% annual interest. Principal payments began in October 1997 and are due in 60 monthly installments. Current principal outstanding on the Note is \$1,696,735.

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**The University of Kentucky** reported \$1,686,102 in notes payable as follows: (1) Kentucky Technology, Incorporated has a \$1.5 million note due 2003 at 2.0% annual interest. (See Note 6 to UK Research Foundation's audited financial statements.) (2) Health Associates of Kentucky has three notes with aggregate principal of \$186,102 due in annual principal installments through July 2005. (See Note 9 to the audited financial statement for the Albert B. Chandler Medical Center, University Hospital.)

**The University of Louisville Athletic Association** reported \$7,650,000 in notes payable from the University of Louisville Foundation Inc. for the construction of Cardinal Park on an unsecured, non-interest bearing basis due upon receipt of pledges by the Association.

**Northern Kentucky University** reported \$1,138,000 in notes payable for various installment purchase contracts to acquire property and equipment during fiscal year 2001.

**Murray State University** reported notes payable of \$1,840,160 including \$90,685 for the Regional Special events center maturing in 2002 at 6.7%, \$182,787 in Murray State University Foundation Notes with maturities to 2008 at 7.0% to 8.5% for various departmental operating expenditures, \$32,138 in Ohio Valley Conference assessment program notes maturing in 2003 at 6.0% and four bank master lease agreements totaling \$1,534,550 and maturing through 2007 at 4.23% to 5.59% to finance the campus networking project, computer equipment and vehicles.

**Western Kentucky University** reported notes payable of \$2,520,324 related to the payment of debt service on substantially all the University's residence hall, which have been transferred to the WKU Student Life Foundation, Inc. (See Note 8 to the University's audited financial statements.)

**Future debt service requirements for aggregate Notes Payable at June 30, 2001, are as follows (Expressed in Thousands):**

Year Ending June 30,	Principal	Interest	Totals
2002	\$ 47,751	\$ 3,568	\$ 51,319
2003	13,262	2,975	16,237
2004	14,653	2,408	17,061
2005	13,446	1,827	15,273
2006	14,145	1,243	15,388
Thereafter	20,930	909	21,839
	<u>\$ 124,187</u>	<u>\$ 12,930</u>	<u>\$ 137,117</u>

**Changes in General Long-Term Obligations**

**Changes in general long-term obligations for the fiscal year ended June 30, 2001, are summarized as follows: (Expressed in Thousands)**

	Compensated Absences	Capital Leases	Notes Payable	State Supported Revenue Bonds	Judgements & Contingent Liabilities	Unfunded Employer Pension Contributions	Totals
Balance at June 30, 2000, as restated	\$ 226,707	\$ 2,311	\$ 218,680	\$ 2,315,533	\$ 315,888	\$ 77,765	\$ 3,156,884
Obligations Incurred	164,884	1,079	100,400	1,224,261	26,927	334	1,517,885
Obligations Retired	(155,122)	(1,237)	(245,205)	(594,955)	(432)	(368)	(997,352)
Balance at June 30, 2001	<u>\$ 236,469</u>	<u>\$ 2,153</u>	<u>\$ 73,875</u>	<u>\$ 2,944,839</u>	<u>\$ 342,383</u>	<u>\$ 77,731</u>	<u>\$ 3,677,450</u>



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**Note 16**

**SEGMENT INFORMATION**

*Segment financial information for the Commonwealth's Enterprise Funds for the year ended June 30, 2001, is presented below (Expressed in Thousands):*

**Primary Government  
Enterprise Funds**

	State Parks	Kentucky Lottery Corporation	Horse Park	Insurance Administration	Totals
	Recreation and Lodging	Lottery Operations	Equine Museum	Insurance	
Goods and Services Provided					
Operating Revenues	\$ 48,343	\$ 590,851	\$ 5,626	\$ 123,985	\$ 768,805
Depreciation and Amortization Expense	4,765	3,207	512	187	8,671
Operating Income (Loss)	(42,337)	154,189	(2,976)	16,138	125,014
Income (Loss) Before Operating Transfers and Extraordinary Item	(41,522)	157,811	(2,868)	150,708	264,129
Operating Transfers:					
In	37,325		1,751	60,370	99,446
Out	(2,545)	(157,030)	(12)	(13,353)	(172,940)
Net Income (Loss)	(6,742)	781	(1,129)	197,725	190,635
Current Contributed Capital:					
Contributions	11,696		1,776		13,472
Fixed Assets:					
Additions	46,938	1,560	2,255	1,113	51,866
Deletions	1,484	176			1,660
Net Working Capital	769	19,111	102	(80,607)	(60,625)
Total Assets	188,519	322,856	17,173	504,089	1,032,637
Bonds and Other Long-Term Liabilities:					
Payable from Operating Revenue and Operating Transfers-in	3,321	218,320	348	1,230,399	1,452,388
Total Equity	177,331	46,634	15,643	(873,405)	(633,797)

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

**CONDENSED STATEMENT  
INFORMATION**

**Condensed Balance Sheet Information  
for the Commonwealth's Discretely  
Presented Component Units  
(Expressed in Thousands)**

	Governmental	Proprietary Funds	
		Kentucky Housing Corporation	Kentucky Infrastructure Authority
<u>Assets</u>			
Current Assets	\$ 4,538	\$ 314,818	\$ 139,495
Property, Plant and Equipment (net)	24	6,344	67
Other Assets	651,828	1,161,902	354,437
Total Assets	<u>\$ 656,390</u>	<u>\$ 1,483,064</u>	<u>\$ 493,999</u>
<u>Liabilities</u>			
Current Liabilities	\$ 632,090	\$ 100,571	\$ 13,619
Capital Lease Obligations			
Notes Payable			
Revenue Bonds		1,144,054	154,411
Amounts Held in Custody for Others			
Deposits and Advance Payments			
Deferred Revenue			
Other Liabilities	387		
Total Liabilities	<u>632,477</u>	<u>1,244,625</u>	<u>168,030</u>
<u>Fund Equity</u>			
Investment in Fixed Assets	24		
Contributed Capital			
Fund Balance:			
Reserved for:			
Encumbrances			
Capital Outlay			
Restricted Gifts, Grants and Contracts			
Unreserved:			
Designated for Universities and Colleges			
Undesignated	23,889		
Retained Earnings:			
Reserved for:			
Revenue Bond Retirement		205,237	
Unreserved		33,202	325,969
Total Fund Equity	<u>23,913</u>	<u>238,439</u>	<u>325,969</u>
Total Liabilities and Fund Equity	<u>\$ 656,390</u>	<u>\$ 1,483,064</u>	<u>\$ 493,999</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

Others	University and College Funds			Totals
	University of Kentucky	University of Louisville	Others	
\$ 245,881	\$ 1,254,491	\$ 247,568	\$ 590,436	\$ 2,797,227
215,542	1,456,160	729,965	1,661,728	4,069,830
851,966	4,518	10,481	36,597	3,071,729
<u>\$ 1,313,389</u>	<u>\$ 2,715,169</u>	<u>\$ 988,014</u>	<u>\$ 2,288,761</u>	<u>\$ 9,938,786</u>
\$ 89,036	\$ 192,339	\$ 43,728	\$ 75,239	\$ 1,146,622
8,540	45,773	2,092	38,886	95,291
	1,500	7,650	5,498	14,648
703,802	229,827	141,699	255,733	2,629,526
	832		2,382	3,214
	3,009	2,024	1,342	6,375
	17,452	22,988	16,160	56,600
1,945	70,539	2,001	6,110	80,982
<u>803,323</u>	<u>561,271</u>	<u>222,182</u>	<u>401,350</u>	<u>4,033,258</u>
	1,238,011	586,730	1,253,098	3,077,863
141,161				141,161
	1,470	9,041	4,608	15,119
	43,703	21,056	319,102	383,861
	706,299	84,489	255,424	1,046,212
	164,415	64,516	55,179	284,110
				23,889
163,737				368,974
205,168				564,339
510,066	2,153,898	765,832	1,887,411	5,905,528
<u>\$ 1,313,389</u>	<u>\$ 2,715,169</u>	<u>\$ 988,014</u>	<u>\$ 2,288,761</u>	<u>\$ 9,938,786</u>

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

**CONDENSED STATEMENT INFORMATION**

**Condensed Statement of Changes in Retained Earnings Discretely Presented Proprietary Funds**  
**(Expressed in Thousands)**

	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Others	Totals
Operating Revenues	\$ 101,202	\$ 23,403	\$ 134,017	\$ 258,622
Operating Expenses:				
Operating and Other Expenses	84,363	23,426	218,527	326,316
Depreciation & Amortization	2,626	268	13,789	16,683
Operating Income (Loss)	14,213	(291)	(98,299)	(84,377)
Nonoperating Revenues (Expenses)	(643)	15,416	20,526	35,299
Transfers:				
From Primary Government		11,712	88,903	100,615
From Component Units				
To Primary Government			(926)	(926)
To Component Units			(3,000)	(3,000)
Net Income (Loss)	13,570	26,837	7,204	47,611
Depreciation on Fixed Assets				
Acquired by Capital Grants			7,372	7,372
Retained Earnings - July 1, 2000	224,869	299,132	354,329	878,330
Retained Earnings - June 30, 2001	\$ 238,439	\$ 325,969	\$ 368,905	\$ 933,313

**Condensed Statement of Changes in Fund Balance Discretely Presented Governmental Funds**  
**(Expressed in Thousands)**

	Governmental
Total Revenues	\$ 4,119
Total Expenditures	144,315
Other Financing Sources (uses):	
Transfers:	
From Primary Government	110,395
Transfers to Component Units	0
Transfers to Primary Government	(53,118)
Proceeds from Revenue Bonds	68,089
Excess of Revenues and other Financing Sources Over (under) Expenditures and Other Financing Uses	(14,830)
Fund Balance - July 1, 2000	38,719
Fund Balance - June 30, 2001	\$ 23,889

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

**Condensed Statement of Changes in Fund Balances**  
**University and College Funds**  
**(Expressed in Thousands)**

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues and Other Additions	\$ 1,192,217	\$ 364,955	\$ 838,082	\$ 2,395,254
Total Expenditures and Other Deductions	1,361,092	518,305	1,205,734	3,085,131
Transfers from (to) Primary Government	359,622	213,517	700,910	1,274,049
Net Increase for Year	190,747	60,167	333,258	584,172
Fund Balance and Other Credits, Beginning, As Restated	1,963,151	705,665	1,554,153	4,222,969
Fund Balance and Other Credits, Ending	<u>\$ 2,153,898</u>	<u>\$ 765,832</u>	<u>\$ 1,887,411</u>	<u>\$ 4,807,141</u>

**Condensed Statement of Current Funds Revenues, Expenditures and Other Changes**  
**University and College Funds**  
**(Expressed in Thousands)**

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues	\$ 680,135	\$ 294,137	\$ 619,005	\$ 1,593,277
Expenditures:				
Education and General	612,892	396,387	993,681	2,002,960
Auxiliary Enterprises and Hospitals	305,429	57,669	59,336	422,434
Total Expenditures	918,321	454,056	1,053,017	2,425,394
Mandatory Transfers	21,506	15,547	37,201	74,254
Non-Mandatory Transfers	54,847	8,718	14,304	77,869
Total Expenditures and Transfers	994,674	478,321	1,104,522	2,577,517
Other Transfers	310,689	173,377	487,249	971,315
Other Additions (Deductions)		8,895	11,389	20,284
Net Increase (Decrease) in Fund Balance	<u>\$ (3,850)</u>	<u>\$ (1,912)</u>	<u>\$ 13,121</u>	<u>\$ 7,359</u>

## Note 17

### COMMITMENTS AND CONTINGENCIES

**Litigation** - The Commonwealth, its units and employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the Commonwealth's financial position.

In addition, the Commonwealth and its units are involved in certain other legal proceedings which, if decided adversely to the Commonwealth, may require the Commonwealth to make material future expenditures for expanded services or capital facilities or may impair future revenue sources or may require the refund of prior collections. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the Commonwealth.

**Federal Grants** - The Commonwealth receives significant financial assistance from the U.S. Government in the form of grants and Federal revenue sharing entitlements. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Commonwealth.

**Leases** - The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Primary Government expenditures for rent under leases for the years ended June 30, 2001 and 2000, amounted to \$65.6 million and \$62.3 million, respectively. The operating leases of the Commonwealth do not contain escalation clauses for rental or expense which would require adjustment to be in compliance with GASB Statement 13.

**Sick Leave** - It is the policy of the Commonwealth to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there was no liability for sick leave at June 30, 2001. The estimated accumulated amount of unused sick leave at that date for the governmental and proprietary funds was \$333,284,758 and \$21,165,515 respectively.

**Construction Projects** - The Transportation Cabinet, at June 30, 2001, had contractual commitments of approximately \$828,999,376, for the construction of numerous highway projects. It is anticipated that these projects will be funded with approximately 29% State funds, 62% Federal funds, and the remaining 9% with proceeds from the sale of revenue bonds.

## Note 18

### SUBSEQUENT EVENTS

The debt issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 2001, and prior to December 31, 2001, and reported other subsequent events for the same period, as described below.

**The State Property and Buildings Commission** issued \$556,050,000 in project revenue bonds as follows:

\$22,870,000, Project 69 Series B, dated July 3, 2001, maturing serially each August 1, 2003 through 2011 at 4.00% to 5.50%; and

\$27,030,000, Project 69 Series C, dated August 3, 2001, maturing serially each August 1, 2002 through 2007 at 4.00% to 5.50%; and

\$39,320,000, Project 69 Series D, dated June 5, 2002, maturing serially each August 1, 2005 through 2012 at 5.50%; and

\$152,860,000, Project 71, dated August 1, 2001, with serial maturities each August 1, 2002, through 2015, at 3.00% to 5.50%. The proceeds of the Bonds will be used to (i) pay costs of constructing, acquiring, installing and equipping the Project as described more fully in the Official Statement, (ii) pay the costs of issuing the Bonds; and

\$223,730,000, Project 72, dated October 1, 2001, maturing serially each October 1, 2002 through 2021 at 3.00% to 5.375%; and

\$90,240,000, Project 73, dated November 1, 2001 with serial maturities each November 1, 2002 through 2014, at 2.30% to 5.50%. The proceeds of the bonds will be used to (i) pay costs of constructing, acquiring, installing and equipping the Project as described more fully in the Official Statement, (ii) pay the costs of issuing the Bonds.

**The Kentucky Housing Corporation** issued Housing Revenue Bonds in the aggregate principal amount of \$50,000,000 to continue the Corporation's program of purchasing qualified mortgage loans made to eligible borrowers to finance owner occupied single family residences, and refinance certain borrowings, Prior Bonds and Notes of the Corporation as more fully described in the Official Statement dated August 2, 2001. The Series were issued as follows:

\$41,880,000, 2001 Series F (AMT) with term maturities of \$10,290,000, due January 1, 2021, at 5.35%, \$4,000,000, due July 1, 2021, at 5.35%, \$17,590,000, due January 1, 2032, at 5.45%, and \$10,000,000, due July 1, 2032, at 5.45%; and

\$8,120,000, Serial Bond, dated August 2, 2001, with serial maturities each January 1, 2003 and July 1, 2003 through 2011, at 3.375% to 4.65%.

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

On July 2, 2001 the Corporation executed a request and authorization and received a draw in the principal amount of \$6,038,000 against the Single Family Mortgage Revenue Bonds, Draw Down Series 2000.

The proceeds of the borrowings are invested in short term repurchase agreements collateralized by federal agency obligations. The purpose of the borrowing is to preserve tax-exempt bond issuance capacity.

**The Kentucky Higher Education Student Loan Corporation** is empowered by KRS Chapter 164A to make and reinsure student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965, and as a body corporate and politic acts as a financing authority to assure a secondary market for insured student loans. The Corporation is governed by a seven member board of directors consisting of the Chairman of the Council on Higher Education, the Secretary of the Finance and Administration Cabinet, the Chairman of the Kentucky Higher Education Assistance Authority, and four members chosen from the general public.

The Corporation is limited to a maximum principal outstanding of \$533 million.

The Corporation issued \$150,000,000 in Student Loan Revenue Bonds, dated on the expected date of delivery on or about July 27, 2001. These bonds which were issued as two Senior Series and one Subordinate Series, Auction Rate Certificates, bear interest as described in the Official Statement, described as follows:

\$59,850,000, Senior Series 2001A-1, are due May 1, 2031, and \$59,850,000, Series 2001A-2, due May 1, 2031, and

\$30,300,000, Subordinate Series 2001 B, also due May 1, 2031.

**Kentucky Infrastructure Authority** issued a \$68,020,000 Composite Issue, Revenue Bond, 2001 Series for the purpose of (1) providing moneys which will assist certain Governmental Agencies to finance waste water, drinking water and water service programs of those Governmental Agencies and (11) paying costs of issuance as described in the Official Statement dated December 1, 2001, as follows:

\$12,440,000, 2001 Series G, Waste Water Revolving Fund Program Revenue Bond, maturing serially each June 1, 2002, through 2021 at 2.50% to 5.00%; and

\$6,420,000, 2001 Series B, Drinking Water Revolving Fund Program Revenue Bond, maturing serially each June 1, 2001 through 2021 at 2.50% to 5.00%; and

\$49,160,000, 2001 Series A, 2020 Water Service Revolving Fund Program Revenue Bond, maturing each June 1, 2003 through 2021 at 4.00% to 5.25%.

**Morehead State University** issued \$9,990,000 in Housing and Dining System Revenue Bonds and Refunding Revenue Bonds as follows:

\$5,125,000, Series P, Housing and Dining System Revenue Bonds, due serially and semi-annually each May 1 and November 1, commencing November 1, 2001 through 2020 at 2.75% to 4.9% interest. The bond proceeds will pay the costs of installing fire safety equipment at West Mignon Hall and East Mignon Hall and construction of a 28 unit Lakewood Terrace Family Housing Complex; and

\$4,875,000, Series L, Consolidated Educational Buildings Refunding Revenue Bonds, due serially each May 1, 2002 and 2012 at 2.25% to 4.30%. The proceeds will be used as follows:

- a) The amount received from purchaser(s) representing accrued interest from December 1, 2001 to the date of delivery, will immediately be deposited into the Bond Fund, to be maintained by J.P. Morgan Trust Company, National Association, Louisville, Kentucky, The Trustee, Paying Agent and Bond Registrar.
- b) The amount necessary to be set aside on deposit in the Morehead State University Consolidated Educational Buildings, Series L Escrow Account (the "Escrow Account"), the amount necessary to be held by the Escrow Agent to effect the refunding is more fully described under "Plan of Refunding".
- c) The amount of proceeds of the Series L Bonds necessary to pay the cost of issuance of the Series L Bonds will be set aside into a "Cost of Issuance Account" to be maintained by the Trustee Bank and used to pay all expenses incident to the issuance, sale and delivery of the Series L. Bonds, including the fee of the Financial Advisor, rating fees and such other appropriate expenses as may be approved by the Board.

**Eastern Kentucky University** issued Consolidated Educational Buildings Revenue Bonds, Series U, dated September 1, 2001, in the Principal amount of \$9,035,000, due serially and annually each May 1, 2002 through 2011 at 3.50% to 4.00% interest. The bond proceeds will be used as follows:

- a) The amount received from purchaser(s) representing accrued interest from September 1, 2001 to the date of delivery, will immediately be deposited into the Bond Fund, to be maintained by Bank One, Kentucky, NA, Lexington, Kentucky, The Trustee, Paying Agent, and Bond Registrar.
- b) The amount necessary to be set aside on deposit in the Eastern Kentucky Consolidated Educational Buildings, Series U Escrow Account (the "Escrow Account") and held by the Escrow Agent to effect the refunding, is more fully described in the Official Statement dated September 1, 2001.



**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 2001**

- c) The amount of proceeds of the Series U Bonds necessary to pay the cost of issuance of the Series U Bonds will be set aside into a "Cost of Issuance Account" to be maintained by the Trustee Bank and used to pay all expenses incident to the issuance, sale and delivery of the Series U Bonds, including the fee of the Financial Advisor, rating fees and such other appropriate expenses as may be approved by the Board.

**Kentucky School Facilities Construction Commission** administers State participation in the debt service payments of local public school district revenue bonds issued subsequent to June 30, 2001, and maturing as to principal through 2019 as follows:

**Western Kentucky University** acquired a segment of the old Bowling Green Mall, on September 27, 2001, for \$2.3 million. The property is to be used as a research center and is to house the University's Applied Physics Institute and Materials Characterization Center.

School District	Sale Date	Principal at Issue	State Share	Interest Rate
Christian County	07/24/01	\$ 7,990,000	\$ 5,081,003	3.7-4.75%
Bullitt County	07/12/01	4,105,000	3,131,213	2.7-4.35%
Hardin County	07/18/01	2,415,000	666,840	3.75-4.25%
Williamsburg Independent	07/19/01	1,085,000	76,107	2.75-4.20%
Metcalf County	07/23/01	2,685,000	1,006,852	2.7-4.20%
Larue County	08/08/01	8,170,000	2,508,928	2.7-4.80%
Perry County	08/30/01	1,865,000	129,110	3.5-4.40%
Powell County	09/18/01	4,430,000	785,554	2.7-4.75%
Letcher County	09/19/01	4,750,000	1,708,636	2.5-4.125%
Rockcastle County	09/25/01	6,650,000	1,674,284	2.5-4.25%
		<u>\$ 44,145,000</u>	<u>\$ 16,768,527</u>	

**Audited financial statements may be requested at the following addresses:**

Bluegrass State Skills Corporation  
Capital Plaza Tower  
500 Mero Street  
Frankfort, Kentucky 40601

Kentucky Turnpike Authority  
Room 92, Capitol Annex Building  
Frankfort, Kentucky 40601

Kentucky Transportation Cabinet  
501 High Street  
Room 808  
Frankfort, Kentucky 40622

Kentucky Center for the Arts  
5 Riverfront Plaza  
Louisville, Kentucky 40202-2989

Kentucky Economic Development Finance Authority  
Capital Plaza Tower  
500 Mero Street  
Frankfort, Kentucky 40601

Kentucky Higher Education Student Loan Corporation  
10180 Linn Station Road  
P.O. Box 24266  
Louisville, Kentucky 40224-0266

Kentucky Housing Corporation  
1231 Louisville Road  
Frankfort, Kentucky 40601

Kentucky Retirement Systems  
Perimeter Park West  
1260 Louisville Road  
Frankfort, Kentucky 40601

Teachers' Retirement System  
479 Versailles Road  
Frankfort, Kentucky 40601

University of Louisville  
Belknap Campus  
Controller's Office  
Louisville, Kentucky 40292

Western Kentucky University  
Vice President for Finance and Administration  
1 Big Red Way  
Bowling Green, Kentucky 42101-3576

Murray State University  
Financial Management and Planning  
Murray, Kentucky 42071

Kentucky State University  
Office of Administrative Affairs  
East Main Street  
Frankfort, Kentucky 40601

Kentucky Lottery Corporation  
1011 West Main Street  
Louisville, Kentucky 40202-2623

Kentucky State Fair Board  
Kentucky Fair and Exposition Center  
P.O. Box 37130  
Louisville, Kentucky 40233-7130

Kentucky Educational Television  
600 Cooper Drive  
Lexington, Kentucky 40502

Kentucky Higher Education Assistance Authority  
1050 U.S. 127 South, Suite 102  
Frankfort, Kentucky 40601

Kentucky Educational Savings Plan Trust  
1050 U.S. 127 South, Suite 102  
Frankfort, Kentucky 40601

Kentucky Infrastructure Authority  
3750 Versailles Rd.  
Frankfort, Kentucky 40601

Kentucky Local Correctional Facilities Construction Authority  
Suite 261 Capitol Annex  
Frankfort, Kentucky 40601

Kentucky Judicial Form Retirement System  
P.O. Box 791  
Frankfort, Kentucky 40602

Kentucky Horse Park  
4089 Iron Works Parkway  
Lexington, Kentucky 40511

University of Kentucky  
General Accounting  
371 Peterson Service Building  
Lexington, Kentucky 40506-0005

Eastern Kentucky University  
Vice President for Business Affairs  
521 Lancaster Avenue  
Richmond, Kentucky 40475-3101

**Audited financial statements may be requested at the following addresses:**

Morehead State University  
Office of Accounting and Budgetary Control  
202 Howell-McDowell Administration Building  
Morehead, Kentucky 40351-1689

Northern Kentucky University  
Office of Business Affairs  
Lucas Administration Center 726  
Nunn Drive  
Highland Heights, Kentucky 41099-8101

Kentucky Community Technical College System  
PO Box 14092  
2760 Research Park Dr.  
Convention Building  
Lexington, Kentucky 40512-4092



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**COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP  
SCHEDULES AND STATEMENTS**

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## GENERAL FUND

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The **General Fund** accounts for financial resources appropriated by the General Assembly that are not required to be accounted for in another fund.

**COMMONWEALTH OF KENTUCKY**  
**BALANCE SHEET**  
**GENERAL FUND**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	<u>June 30, 2001</u>
<b><u>ASSETS</u></b>	
CASH AND CASH EQUIVALENTS	\$ 147,395
INVESTMENTS, NET OF AMORTIZATION	260,357
RECEIVABLES, NET	560,469
INTERFUND RECEIVABLES	7,163
INVENTORIES	<u>11,022</u>
TOTAL ASSETS	<u><u>\$ 986,406</u></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 260,570
TAX REFUNDS PAYABLE	207,318
INTERFUND PAYABLES	16,345
DEFERRED REVENUE	<u>106,986</u>
TOTAL LIABILITIES	<u>591,219</u>
FUND BALANCE:	
RESERVED FOR:	
STATUTORY OBLIGATIONS	153,203
BUDGET STABILIZATION	239,832
INVENTORIES	11,022
UNRESERVED:	
UNDESIGNATED	<u>(8,870)</u>
TOTAL FUND BALANCE	<u>395,187</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 986,406</u></u>



**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<u>June 30, 2001</u>
REVENUES:	
TAXES	\$ 6,369,964
LICENSES, FEES, AND PERMITS	26,156
INTERGOVERNMENTAL	6,577
CHARGES FOR SERVICES	4,916
FINES AND FORFEITS	45,339
INTEREST AND OTHER INVESTMENT INCOME	63,524
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	(676)
OTHER REVENUES	<u>116,738</u>
TOTAL REVENUES	<u>6,632,538</u>
EXPENDITURES:	
GENERAL GOVERNMENT	366,370
LEGISLATIVE AND JUDICIAL	207,024
COMMERCE	17,312
EDUCATION AND HUMANITIES	2,846,416
HUMAN RESOURCES	1,375,749
JUSTICE	453,675
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	61,932
PUBLIC PROTECTION AND REGULATION	49,825
TRANSPORTATION	<u>5,249</u>
TOTAL EXPENDITURES	<u>5,383,552</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,248,986</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	238,021
TRANSFERS FROM COMPONENT UNITS	942
OPERATING TRANSFERS OUT	(303,027)
TRANSFERS TO COMPONENT UNITS	(1,428,957)
CAPITALIZED LEASES	<u>856</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,492,165)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	
OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(243,179)
FUND BALANCE AT JULY 1, AS RESTATED	638,366
	<u></u>
FUND BALANCE AT JUNE 30	<u><u>\$ 395,187</u></u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Budget	Actual	Variance
REVENUES:			
BUDGETED:			
TAXES	\$ 6,379,700	\$ 6,371,310	\$ (8,390)
LICENSES, FEES, AND PERMITS	18,500	26,156	7,656
INTERGOVERNMENTAL	6,200	6,094	(106)
CHARGES FOR SERVICES	2,800	4,930	2,130
FINES AND FORFEITS	43,700	45,339	1,639
INTEREST AND OTHER INVESTMENT INCOME	27,900	28,223	323
LOTTERY PROCEEDS	157,000	157,030	30
OTHER REVENUES	17,800	120,529	102,729
TRANSFERS IN			
TOTAL BUDGETED REVENUES	6,653,600	6,759,611	106,011
NON-BUDGETED:			
OTHER REVENUES		2	2
TRANSFERS IN (INTERFUND)		82,074	82,074
TOTAL NON-BUDGETED REVENUES		82,076	82,076
TOTAL REVENUES	6,653,600	6,841,687	188,087
EXPENDITURES:			
GENERAL GOVERNMENT:			
CABINET OF THE GENERAL GOVERNMENT			
GOVERNOR'S OFFICE	7,976	7,649	327
DEPARTMENT OF VETERANS AFFAIRS	6,684	6,683	1
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT	4,263	3,716	547
STATE PLANNING FUND	500	500	
UNIFIED PROSECUTORIAL SYSTEM - COMMONWEALTH ATTORNEYS	22,241	21,841	400
UNIFIED PROSECUTORIAL SYSTEM - COUNTY ATTORNEYS	19,812	19,593	219
DEPARTMENT OF AGRICULTURE	19,767	19,685	82
OFFICE OF THE ATTORNEY GENERAL	12,711	12,711	
AUDITOR OF PUBLIC ACCOUNTS	5,711	5,643	68
REGISTRY OF ELECTION FINANCE	1,443	1,414	29
DEPARTMENT OF MILITARY AFFAIRS	15,761	15,661	100
DEPARTMENT OF LOCAL GOVERNMENT	11,427	11,427	
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND	31,535	31,534	1
LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND	30,807	30,807	
LOCAL GOVERNMENT AREA DEVELOPMENT FUND	2,000	2,000	
SECRETARY OF STATE - GENERAL OPERATIONS	2,384	2,373	11
DEPARTMENT OF THE TREASURY	2,174	2,146	28
BOARD OF ELECTIONS	4,454	4,414	40
PERSONNEL BOARD	573	505	68
SCHOOL FACILITIES CONSTRUCTION COMMISSION	71,493	71,168	325
EXECUTIVE BRANCH ETHICS COMMISSION	295	295	
COMMISSION ON HUMAN RIGHTS	2,003	1,909	94
COMMISSION ON WOMEN	258	258	
COUNCIL ON POSTSECONDARY EDUCATION	193,433	191,431	2,002
EDUCATION PROFESSIONAL STANDARDS BOARD	8,338	8,338	
EMERGENCY MEDICAL SERVICES BOARD	1,790	1,639	151
PERSONNEL CABINET	3,346	3,346	

	Budget	Actual	Variance
CABINET FOR UNIVERSITIES			
EASTERN KENTUCKY UNIVERSITY	67,392	67,392	
KENTUCKY STATE UNIVERSITY	21,865	21,865	
MOREHEAD STATE UNIVERSITY	40,326	40,326	
MURRAY STATE UNIVERSITY	47,714	47,714	
NORTHERN KENTUCKY UNIVERSITY	39,821	39,821	
UNIVERSITY OF KENTUCKY	307,830	307,830	
UNIVERSITY OF LOUISVILLE	172,153	171,997	156
WESTERN KENTUCKY UNIVERSITY	64,328	64,328	
KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM	170,101	170,101	
REVENUE CABINET	63,790	63,663	127
OFFICE OF PROPERTY VALUATION ADMINISTRATORS	25,048	25,048	
FINANCE AND ADMINISTRATION CABINET			
OFFICE OF THE SECRETARY	3,924	3,737	187
OFFICE OF LEGAL AND LEGISLATIVE SERVICES	689	590	99
OFFICE OF MANAGEMENT AND BUDGET	887	877	10
DEBT SERVICE	167,382	143,399	23,983
OFFICE OF THE CONTROLLER	6,067	5,252	815
DEPARTMENT FOR ADMINISTRATION	3,738	3,735	3
DEPARTMENT FOR FACILITIES MANAGEMENT	8,598	8,595	3
FACILITIES MANAGEMENT - 1997 FLOOD HOUSING DISASTER AID			
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY	51,544	47,402	4,142
SPECIAL ACCOUNTS - CAPITAL CONSTRUCTION	38,044	37,844	200
SPECIAL ACCOUNTS - TOBACCO SETTLEMENT	170,000	170,000	
COUNTY COSTS	18,899	18,680	219
ACCESS TO JUSTICE			
STATEWIDE INFRASTRUCTURE FUND			
STATE TECHNOLOGY PROJECTS FUND			
APPROPRIATIONS NOT OTHERWISE CLASSIFIED:			
BOARD OF CLAIMS AWARDS	600	149	451
GUARDIAN AD LITEM	2,500	2,500	
COURT ORDERED TAX REFUNDS	96,048	4,253	91,795
PRIOR YEAR CLAIMS	400	18	382
UNREDEEMED CHECKS REFUNDED	800	762	38
INVOLUNTARY COMMITMENTS	50	50	
BLANKET EMPLOYEE BONDS	200	64	136
FRANKFORT IN LIEU OF TAXES	195	195	
FRANKFORT CEMETERY	3	3	
POLICE AND FIREMEN LIFE INSURANCE	250		250
MASTER COMMISSIONER EMPLOYERS RETIREMENT	240	110	130
MASTER COMMISSIONER SOCIAL SECURITY	216	216	
WORKERS' COMPENSATION	288	282	6
ATTORNEY GENERAL EXPENSE	393	393	
MEDICAL MALPRACTICE LIABILITY INSURANCE REIMBURSEMENTS	50	47	3
TOTAL GENERAL GOVERNMENT	2,075,552	1,947,924	127,628
LEGISLATIVE AND JUDICIAL:			
GENERAL ASSEMBLY	22,795	10,254	12,541
LEGISLATIVE RESEARCH COMMISSION:	30,313	23,709	6,604
JUDICIAL RETIREMENT SYSTEM	4,197	4,197	
COURT OF JUSTICE - COURT FACILITY USE	1,072		1,072
COURT OF JUSTICE - OPERATION AND ADMINISTRATION	135,570	135,569	1
COURT OF JUSTICE - LOCAL FACILITY SUPPORT	45,053	33,206	11,847
TOTAL LEGISLATIVE AND JUDICIAL	239,000	206,935	32,065

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Budget		Variance
COMMERCE:			
ECONOMIC DEVELOPMENT:			
OFFICE OF THE SECRETARY	1,938	1,686	252
ADMINISTRATION AND SUPPORT	2,062	2,059	3
JOB DEVELOPMENT	2,439	2,367	72
FINANCIAL INCENTIVES	12,180	5,038	7,142
COMMUNITY DEVELOPMENT	2,836	2,805	31
DEBT SERVICE			
TOURISM - OFFICE OF THE SECRETARY	1,398	1,398	
BREAKS INTERSTATE PARK	196	196	
DEPARTMENT OF TRAVEL DEVELOPMENT	7,092	7,092	
KENTUCKY STATE FAIR BOARD	407	407	
KENTUCKY HORSE PARK	1,332	1,332	
DEPARTMENT OF PARKS	27,031	27,031	
TOTAL COMMERCE	58,911	51,411	7,500
EDUCATION AND HUMANITIES:			
OFFICE OF THE SECRETARY	2,741	2,728	13
COMMISSION ON DEAF AND HARD OF HEARING	858	858	
KENTUCKY HERITAGE COUNCIL	1,025	1,025	
KENTUCKY ARTS COUNCIL	4,733	4,724	9
DEPARTMENT OF EDUCATION:			
SUPPORT EDUCATION EXCELLENCE IN KY (SEEK)	2,208,786	2,208,776	10
EXECUTIVE POLICY AND MANAGEMENT	2,588	2,586	2
MANAGEMENT SUPPORT SERVICES	351,331	351,293	38
LEARNING SUPPORT SERVICES	175,010	174,396	614
KENTUCKY EDUCATION TELEVISION	14,862	14,862	
KENTUCKY HISTORICAL SOCIETY	6,138	6,138	
KENTUCKY CENTER FOR THE ARTS	623	623	
LIBRARIES AND ARCHIVES - DIRECT LOCAL AID	6,475	6,472	3
LIBRARIES AND ARCHIVES - GENERAL OPERATIONS	6,684	6,674	10
TEACHERS' RETIREMENT SYSTEM	75,830	75,830	
WORKFORCE DEVELOPMENT - OFFICE OF THE SECRETARY:			
GENERAL ADMINISTRATION AND PROGRAM SUPPORT	2,308	2,308	
TEACHER RETIREMENT EMPLOYER CONTRIBUTION MATCH	4,639	4,639	
WORKFORCE DEVELOPMENT:			
DEPARTMENT FOR THE BLIND	2,008	2,008	
DEPARTMENT OF EMPLOYMENT SERVICES	595	595	
BOARD FOR ADULT AND TECHNICAL EDUCATION	16	16	
DEPARTMENT FOR TECHNICAL EDUCATION	20,552	20,552	
DEPARTMENT FOR ADULT EDUCATION & LITERACY	10,750	10,750	
VOCATIONAL REHABILITATION	10,388	10,388	
TOTAL EDUCATION AND HUMANITIES	2,908,940	2,908,241	699
HUMAN RESOURCES:			
CABINET FOR FAMILIES AND CHILDREN:			
ADMINISTRATIVE SERVICES	27,697	27,697	
OFFICE OF FAMILY RESOURCES AND YOUTH SERVICES CENTERS	47,667	47,667	
COMMUNITY BASED SERVICES	271,181	271,181	
CABINET FOR HEALTH SERVICES			
ADMINISTRATIVE SUPPORT	4,302	4,302	
OFFICE OF THE INSPECTOR GENERAL	5,016	5,016	
DEPARTMENT OF PUBLIC HEALTH	62,194	61,009	1,185
DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION	171,832	171,832	
DEPARTMENT FOR MEDICAID SERVICES	17,324	17,324	
MEDICAID SERVICES BENEFITS	708,895	708,895	
OFFICE OF CERTIFICATE OF NEED			
COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS	5,843	5,843	
OFFICE OF AGING SERVICES	24,403	24,403	
TOTAL HUMAN RESOURCES	1,346,354	1,345,169	1,185

	Budget		Variance
JUSTICE:			
JUSTICE - ADMINISTRATION	7,542	7,521	21
DEPARTMENT OF STATE POLICE	78,777	78,777	
DEPARTMENT OF JUVENILE JUSTICE	75,331	75,331	
DEPARTMENT OF CRIMINAL JUSTICE TRAINING			
DEPARTMENT OF CORRECTIONS:			
MANAGEMENT	14,821	14,821	
ADULT INSTITUTIONS	181,164	181,164	
LOCAL JAIL ALLOTMENT	15,699	15,379	320
COMMUNITY SERVICES AND LOCAL FACILITIES	70,684	70,684	
TOTAL JUSTICE	444,018	443,677	341
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:			
OFFICE OF THE SECRETARY	9,365	9,365	
KENTUCKY RIVER AUTHORITY	378	332	46
ENVIRONMENTAL QUALITY COMMISSION	233	232	1
KENTUCKY NATURE PRESERVES COMMISSION	919	919	
DEPARTMENT FOR ENVIRONMENTAL PROTECTION	23,493	23,493	
DEPARTMENT FOR NATURAL RESOURCES	18,021	18,021	
DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT	9,844	9,843	1
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	62,253	62,205	48
PUBLIC PROTECTION AND REGULATION:			
OFFICE OF THE SECRETARY			
BOARD OF CLAIMS/CRIME VICTIMS COMPENSATION BOARD	686	649	37
BOARD OF TAX APPEALS	447	426	21
KENTUCKY RACING COMMISSION	390	390	
PUBLIC SERVICE COMMISSION	11,964	10,519	1,445
DEPARTMENT FOR PUBLIC ADVOCACY	21,917	21,917	
DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL	1,389	1,389	
DEPARTMENT OF HOUSING, BUILDINGS, AND CONSTRUCTION	3,631	3,631	
DEPARTMENT FOR MINES AND MINERALS	9,362	9,362	
LABOR - OFFICE OF THE SECRETARY	485	476	9
DEPARTMENT OF WORKPLACE STANDARDS	1,984	1,876	108
WORKERS COMPENSATION FUNDING COMMISSION	19,000	19,000	
TOTAL PUBLIC PROTECTION AND REGULATION	71,255	69,635	1,620
TRANSPORTATION:			
AIR	1,681	723	958
RAIL	34	34	
PUBLIC	8,127	4,543	3,584
TOTAL TRANSPORTATION	9,842	5,300	4,542
TOTAL EXPENDITURES	7,216,125	7,040,497	175,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(562,525)	(198,810)	363,715
FUND BALANCE AT JULY 1, AS RESTATED	593,044	593,044	
NON-BUDGETED ITEMS		1,145	1,145
FUND BALANCE AT JUNE 30	\$ 30,519	\$ 395,379	\$ 364,860

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES BY SOURCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
**(Expressed in Thousands)**

	<u>June 30, 2001</u>
REVENUES BY SOURCE	
TAXES:	
SALES AND GROSS RECEIPTS	\$ 2,445,362
INCOME:	
INDIVIDUAL	2,768,302
CORPORATIONS	288,418
PROPERTY	457,216
COAL SEVERANCE	177,774
LICENSES AND PRIVILEGES	146,422
INHERITANCE AND ESTATE	83,267
MISCELLANEOUS	<u>3,203</u>
TOTAL TAXES	6,369,964
LICENSES, FEES, AND PERMITS	26,156
INTERGOVERNMENTAL	6,577
CHARGES FOR SERVICES	4,916
FINES AND FORFEITS	45,339
INTEREST AND OTHER INVESTMENT INCOME	63,524
INCREASE(DECREASE) IN FAIR MARKET VALUE	(676)
OTHER REVENUES	<u>116,738</u>
TOTAL REVENUES BY SOURCE	<u><u>\$ 6,632,538</u></u>





**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed In Thousands)

	<u>June 30, 2001</u>
GENERAL GOVERNMENT:	
CABINET FOR GENERAL GOVERNMENT:	
PERSONAL SERVICES	\$ 109,218
UTILITIES, RENTALS, AND OTHER SERVICES	14,416
COMMODITIES AND SUPPLIES	6,168
GRANTS AND SUBSIDIES	63,388
CAPITAL OUTLAY	676
TRAVEL	2,569
JUDGEMENTS AND CONTINGENT LIABILITIES	<u>(879)</u>
TOTAL CABINET FOR GENERAL GOVERNMENT	<u>195,556</u>
FINANCE AND ADMINISTRATION CABINET:	
PERSONAL SERVICES	17,792
UTILITIES, RENTALS, AND OTHER SERVICES	3,363
COMMODITIES AND SUPPLIES	23,212
GRANTS AND SUBSIDIES	1,512
CAPITAL OUTLAY	110
TRAVEL	275
JUDGEMENTS AND CONTINGENT LIABILITIES	5,003
INTEREST PAID ON SHORT TERM DEBT	23,237
REISSUE UNREDEEMED TREASURY CHECKS	<u>753</u>
TOTAL FINANCE AND ADMINISTRATION CABINET	<u>75,257</u>
REVENUE CABINET:	
PERSONAL SERVICES	67,821
UTILITIES, RENTALS, AND OTHER SERVICES	18,235
COMMODITIES AND SUPPLIES	1,700
CAPITAL OUTLAY	169
TRAVEL	1,111
JUDGEMENTS AND CONTINGENT LIABILITIES	<u>3,235</u>
TOTAL REVENUE CABINET	<u>92,271</u>
PERSONNEL CABINET:	
PERSONAL SERVICES	3,085
UTILITIES, RENTALS, AND OTHER SERVICES	153
COMMODITIES AND SUPPLIES	45
TRAVEL	<u>3</u>
TOTAL PERSONNEL CABINET	<u>3,286</u>
TOTAL GENERAL GOVERNMENT	<u>366,370</u>
LEGISLATIVE AND JUDICIAL:	
PERSONAL SERVICES	150,396
UTILITIES, RENTALS, AND OTHER SERVICES	43,116
COMMODITIES AND SUPPLIES	8,986
CAPITAL OUTLAY	1,482
TRAVEL	3,043
JUDGEMENTS AND CONTINGENT LIABILITIES	<u>1</u>
TOTAL LEGISLATIVE AND JUDICIAL	<u>207,024</u>
COMMERCE:	
ECONOMIC DEVELOPMENT CABINET:	
PERSONAL SERVICES	6,576
UTILITIES, RENTALS, AND OTHER SERVICES	903
COMMODITIES AND SUPPLIES	448
GRANTS AND SUBSIDIES	610
CAPITAL OUTLAY	17
TRAVEL	<u>249</u>
TOTAL ECONOMIC DEVELOPMENT CABINET	<u>8,803</u>

	June 30, 2001
TOURISM CABINET:	
PERSONAL SERVICES	6,017
UTILITIES, RENTALS, AND OTHER SERVICES	890
COMMODITIES AND SUPPLIES	(153)
GRANTS AND SUBSIDIES	1,311
CAPITAL OUTLAY	1
TRAVEL	397
JUDGEMENTS AND CONTINGENT LIABILITIES	46
TOTAL TOURISM CABINET	8,509
TOTAL COMMERCE	17,312
EDUCATION AND HUMANITIES:	
EDUCATION AND HUMANITIES CABINET:	
PERSONAL SERVICES	65,436
UTILITIES, RENTALS, AND OTHER SERVICES	12,484
COMMODITIES AND SUPPLIES	60
GRANTS AND SUBSIDIES	2,714,874
CAPITAL OUTLAY	171
TRAVEL	2,139
TOTAL EDUCATION AND HUMANITIES CABINET	2,795,164
WORKFORCE DEVELOPMENT CABINET:	
PERSONAL SERVICES	25,443
UTILITIES, RENTALS, AND OTHER SERVICES	3,124
COMMODITIES AND SUPPLIES	3,505
GRANTS AND SUBSIDIES	18,116
CAPITAL OUTLAY	458
TRAVEL	605
JUDGEMENTS AND CONTINGENT LIABILITIES	1
TOTAL WORKFORCE DEVELOPMENT CABINET	51,252
TOTAL EDUCATION AND HUMANITIES	2,846,416
HUMAN RESOURCES:	
CABINET FOR FAMILIES AND CHILDREN:	
PERSONAL SERVICES	77,575
UTILITIES, RENTALS, AND OTHER SERVICES	20,435
COMMODITIES AND SUPPLIES	2,397
GRANTS AND SUBSIDIES	239,689
CAPITAL OUTLAY	221
TRAVEL	5,484
JUDGEMENTS AND CONTINGENT LIABILITIES	382
TOTAL CABINET FOR FAMILIES AND CHILDREN	346,183
HEALTH SERVICES CABINET:	
PERSONAL SERVICES	100,178
UTILITIES, RENTALS, AND OTHER SERVICES	3,820
COMMODITIES AND SUPPLIES	(109,381)
GRANTS AND SUBSIDIES	1,011,436
CAPITAL OUTLAY	407
TRAVEL	793
JUDGEMENTS AND CONTINGENT LIABILITIES	22,313
TOTAL CABINET FOR HEALTH SERVICES	1,029,566
TOTAL HUMAN RESOURCES	1,375,749

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<b>June 30, 2001</b>
JUSTICE:	
PERSONAL SERVICES	254,282
UTILITIES, RENTALS, AND OTHER SERVICES	29,600
COMMODITIES AND SUPPLIES	24,902
GRANTS AND SUBSIDIES	136,624
CAPITAL OUTLAY	5,373
TRAVEL	3,088
JUDGEMENTS AND CONTINGENT LIABILITIES	(194)
TOTAL JUSTICE	<u>453,675</u>
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:	
PERSONAL SERVICES	47,577
UTILITIES, RENTALS, AND OTHER SERVICES	5,215
COMMODITIES AND SUPPLIES	3,262
GRANTS AND SUBSIDIES	3,500
CAPITAL OUTLAY	730
TRAVEL	1,646
JUDGEMENTS AND CONTINGENT LIABILITIES	2
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	<u>61,932</u>
PUBLIC PROTECTION AND REGULATION:	
PUBLIC PROTECTION AND REGULATION CABINET:	
PERSONAL SERVICES	36,362
UTILITIES, RENTALS, AND OTHER SERVICES	3,214
COMMODITIES AND SUPPLIES	1,703
GRANTS AND SUBSIDIES	4,924
CAPITAL OUTLAY	422
TRAVEL	838
TOTAL PUBLIC PROTECTION AND REGULATION CABINET	<u>47,463</u>
LABOR CABINET:	
PERSONAL SERVICES	1,839
UTILITIES, RENTALS, AND OTHER SERVICES	148
COMMODITIES AND SUPPLIES	113
GRANTS AND SUBSIDIES	120
TRAVEL	142
TOTAL LABOR CABINET	<u>2,362</u>
TOTAL PUBLIC PROTECTION AND REGULATION	<u>49,825</u>
TRANSPORTATION :	
PERSONAL SERVICES	672
COMMODITIES AND SUPPLIES	23
GRANTS	4,543
TRAVEL	11
TOTAL TRANSPORTATION	<u>5,249</u>
TOTAL EXPENDITURES	<u><u>\$ 5,383,552</u></u>



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## SPECIAL REVENUE FUNDS

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The **Special Revenue Funds** account for special revenue sources dedicated to specific operations other than expendable trusts or major capital projects. Kentucky uses the following Special Revenue Funds:

**Transportation Fund** - accounts for General Fund transfers, agency revenue, federal revenue, and related expenditures of the Transportation Cabinet including the constitutional Road Fund.

**Federal Fund** - accounts for monies received from the Federal Government.

**Agency Revenue Fund** - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity and usually appropriated by the General Assembly.

**Other Special Revenue Fund** - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity, but not usually appropriated by the General Assembly.

**Turnpike Authority of Kentucky** - issues debt to acquire infrastructure which is leased to the Transportation Cabinet of the Commonwealth.

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	Transportation	Federal	Agency Revenue	Other Special Revenue	Turnpike Authority of Kentucky	Totals June 30, 2001
<b><u>ASSETS</u></b>						
CASH AND CASH EQUIVALENTS	\$ 73,022	\$ 6,975	\$ 63,533	\$ 40,914	\$ 107,240	\$ 291,684
RESTRICTED CASH	997		10,092			11,089
INVESTMENTS, NET OF AMORTIZATION	569,881		266,266	215,914	123,517	1,175,578
RECEIVABLES, NET	105,551	684,404	48,302	45,357	5,435	889,049
INTERFUND RECEIVABLES	82,217	101,968	74,197	144		258,526
INVENTORIES	38,715	63	1,355	55		40,188
TOTAL ASSETS	<u>\$ 870,383</u>	<u>\$ 793,410</u>	<u>\$ 463,745</u>	<u>\$ 302,384</u>	<u>\$ 236,192</u>	<u>\$ 2,666,114</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
LIABILITIES:						
ACCOUNTS PAYABLE	\$ 61,633	\$ 627,632	\$ 45,605	\$ 332	\$ 230	\$ 735,432
INTERFUND PAYABLES	83,743	81,989	22,391	66,776	66,900	321,799
DEFERRED REVENUE	28,093	117,806	15,274	27,697		188,870
TOTAL LIABILITIES	<u>173,469</u>	<u>827,427</u>	<u>83,270</u>	<u>94,805</u>	<u>67,130</u>	<u>1,246,101</u>
FUND BALANCE:						
RESERVED FOR:						
ENCUMBRANCES	214,318					214,318
STATUTORY OBLIGATIONS	42,679					42,679
INVENTORIES	38,715	63	1,355	55		40,188
DEPOSIT WITH FISCAL AGENTS			10,092			10,092
COMPENSATING BALANCE WITH DEPOSITORIES	997					997
UNRESERVED:						
DESIGNATED FOR HIGHWAY CONSTRUCTION	302,096				169,062	471,158
UNDESIGNATED (NOTE 3)	98,109	(34,080)	369,028	207,524		640,581
TOTAL FUND BALANCES	<u>696,914</u>	<u>(34,017)</u>	<u>380,475</u>	<u>207,579</u>	<u>169,062</u>	<u>1,420,013</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 870,383</u>	<u>\$ 793,410</u>	<u>\$ 463,745</u>	<u>\$ 302,384</u>	<u>\$ 236,192</u>	<u>\$ 2,666,114</u>



**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Transportation	Federal	Agency Revenue	Other Special Revenue	Turnpike Authority of Kentucky	Totals June 30, 2001
REVENUES:						
TAXES	\$ 908,783	\$	\$ 194,078	61,276	\$	\$ 1,164,137
LICENSES, FEES AND PERMITS	100,566	2	72,748	767		174,083
INTERGOVERNMENTAL	215	4,146,641	39,276	(559)		4,185,573
CHARGES FOR SERVICES	23,108	(80)	384,430	12,083		419,551
FINES AND FORFEITS	62		3,393	5,503		8,958
INTEREST AND OTHER INVESTMENT INCOME	40,196	571	9,818	840	14,411	65,836
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	5,256	(126)	241	147		5,518
OTHER REVENUES	1,355	111,879	124,333	33,198	207,667	478,432
TOTAL REVENUES	1,079,541	4,258,887	828,317	113,265	222,078	6,502,088
EXPENDITURES:						
GENERAL GOVERNMENT		69,078	92,125	26,292	118,740	306,235
LEGISLATIVE AND JUDICIAL		3,290	6,170	124		9,584
COMMERCE		5,884	27,956	131		33,971
EDUCATION AND HUMANITIES		551,926	43,966	433		596,325
HUMAN RESOURCES		3,145,658	587,287	1,671		3,734,616
JUSTICE		38,847	60,952	25		99,824
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION		40,200	22,634	2,282		65,116
PUBLIC PROTECTION AND REGULATION		4,903	69,997			74,900
TRANSPORTATION	968,163	521,686	92,954			1,582,803
TOTAL EXPENDITURES	968,163	4,381,472	1,004,041	30,958	118,740	6,503,374
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111,378	(122,585)	(175,724)	82,307	103,338	(1,286)
OTHER FINANCING SOURCES (USES):						
OPERATING TRANSFERS IN	3,457	8,196	387,706	182,422	113,465	695,246
OPERATING TRANSFERS OUT	(164,880)	(16,797)	(226,667)	(375,150)	(148,871)	(932,365)
CAPITALIZED LEASES			85			85
NOTES PAYABLE			100,400			100,400
TOTAL OTHER FINANCING SOURCES (USES)	(161,423)	(8,601)	261,524	(192,728)	(35,406)	(136,634)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(50,045)	(131,186)	85,800	(110,421)	67,932	(137,920)
FUND BALANCES AT JULY 1, AS RESTATED	746,959	97,169	294,675	318,000	101,130	1,557,933
FUND BALANCES AT JUNE 30	\$ 696,914	\$ (34,017)	\$ 380,475	\$ 207,579	\$ 169,062	\$ 1,420,013

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TRANSPORTATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<u>June 30, 2001</u>
REVENUES:	
TAXES	\$ 908,783
LICENSES, FEES AND PERMITS	100,566
INTERGOVERNMENTAL	215
CHARGES FOR SERVICES	23,108
FINES AND FORFEITS	62
INTEREST AND OTHER INVESTMENT INCOME	40,196
INCREASE(DECREASE) IN FAIR VALUE	
OF INVESTMENTS	5,256
OTHER REVENUES	<u>1,355</u>
TOTAL REVENUES	<u>1,079,541</u>
EXPENDITURES:	
TRANSPORTATION:	
GENERAL ADMINISTRATION AND SUPPORT	84,040
MOTOR VEHICLE REGULATION	28,300
JUSTICE - STATE POLICE	30,128
HIGHWAYS	824,347
OTHER	<u>1,348</u>
TOTAL EXPENDITURES	<u>968,163</u>
EXCESS OF REVENUES OVER (UNDER)	
EXPENDITURES	<u>111,378</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	3,457
OPERATING TRANSFERS OUT	<u>(164,880)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(161,423)</u>
EXCESS OF REVENUES AND OTHER FINANCING	
SOURCES OVER (UNDER) EXPENDITURES	
AND OTHER FINANCING USES	(50,045)
FUND BALANCE AT JULY 1, AS RESTATED	746,959
FUND BALANCE AT JUNE 30	<u><u>\$ 696,914</u></u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 903,255	\$ 898,646	\$ (4,609)	\$	\$	\$
LICENSES, FEES, AND PERMITS	109,603	102,025	(7,578)			
CHARGES FOR SERVICES	20,295	21,658	1,363			
FINES AND FORFEITS	25	10	(15)			
INTEREST AND OTHER INVESTMENT INCOME	29,500	40,187	10,687			
OTHER REVENUES	540	1,382	842			
TOTAL BUDGETED REVENUES	1,063,218	1,063,908	690			
NON-BUDGETED:						
TAXES						
LICENSES, FEES, AND PERMITS					2	
INTERGOVERNMENTAL		215	215		4,261,775	
CHARGES FOR SERVICES					(94)	
FINES AND FORFEITS						
INTEREST AND OTHER INVESTMENT INCOME					571	
EMPLOYER CONTRIBUTIONS						
OTHER REVENUES					112,172	
ESCHEAT						
TRANSFERS IN (INTERFUND)		3,457	3,457		8,196	
TRANSFERS IN (INTRAFUND)					960	
TOTAL NON-BUDGETED REVENUE		3,672	3,672		4,383,582	
TOTAL REVENUES	1,063,218	1,067,580	4,362		4,383,582	
EXPENDITURES:						
GENERAL GOVERNMENT:						
GOVERNOR'S OFFICE				494	226	268
GOVERNORS OFFICE FOR POLICY AND MANAGEMENT						
GOVERNOR'S OFFICE FOR TECHNOLOGY	125	91	34			
DEPARTMENT OF VETERANS AFFAIRS						
UNIFIED PROSECUTORIAL SYSTEM:						
COMMONWEALTH ATTORNEYS				669	610	59
COUNTY ATTORNEYS				320	265	55
DEPARTMENT OF AGRICULTURE				2,035	1,960	75
OFFICE OF THE ATTORNEY GENERAL				2,494	2,306	188
AUDITOR OF PUBLIC ACCOUNTS						
REGISTRY OF ELECTION FINANCE						
MILITARY AFFAIRS:				20,020	12,804	7,216
KENTUCKY RETIREMENT SYSTEMS						
LOCAL GOVERNMENT:						
VARIOUS AREA DEVELOPMENT DISTRICTS				97,360	43,760	53,600
SECRETARY OF STATE						
BOARD OF:						
ACCOUNTANCY						
ALCOHOL AND DRUG COUNSELORS						
AUCTIONEERS						
BARBERING						
CHIROPRACTIC EXAMINERS						
CERTIFICATION FOR PROF. COUNSELORS						
FEE-BASED PASTORAL COUNSELORS						
INTERPRETERS FOR DEAF & HARD OF HEARING						
DENTISTRY						
DIETITIANS AND NUTRITIONISTS						
ELECTIONS						
EMBALMERS AND FUNERAL HOME DIRECTORS						
EXAMINERS AND REGISTRATION OF ARCHITECTS						
EXAMINERS AND REGISTRATION OF LANDSCAPE ARCHITECTS						
EXAMINERS OF PSYCHOLOGISTS						
EXAMINERS OF SOCIAL WORKERS						
HAIRDRESSERS AND COSMETOLOGISTS						
LICENSING HEARING AID DEALERS & FITTERS						
LICENSURE FOR NURSING HOME ADMINISTRATORS						

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$	\$	\$	\$	\$	\$
			903,255	898,646	(4,609)
			109,603	102,025	(7,578)
			20,295	21,658	1,363
			25	10	(15)
			29,500	40,187	10,687
			540	1,382	842
			1,063,218	1,063,908	690
	194,009			194,009	
	72,937			72,939	
	39,015			4,301,005	
	1,580,552			1,580,458	
	3,362			3,362	
	32,421			32,992	
	177			177	
	174,125			286,297	
	281			281	
	464,658			476,311	
	1,052,377			1,053,337	
	3,613,914			8,001,168	
	3,613,914			9,065,076	
1,268	937	331	1,762	1,163	599
924	183	741	924	183	741
1,826	679	1,147	1,951	770	1,181
12,457	12,455	2	12,457	12,455	2
423	265	158	1,092	875	217
43	2	41	363	267	96
2,387	2,334	53	4,422	4,294	128
3,311	2,327	984	5,805	4,633	1,172
4,709	3,027	1,682	4,709	3,027	1,682
200	200		200	200	
23,893	21,800	2,093	43,913	34,604	9,309
11,713	10,763	950	11,713	10,763	950
3,301	1,120	2,181	100,661	44,880	55,781
1,096	980	116	1,096	980	116
782	566	216	782	566	216
78	52	26	78	52	26
341	341		341	341	
211	199	12	211	199	12
162	146	16	162	146	16
42	30	12	42	30	12
17	1	16	17	1	16
71	25	46	71	25	46
436	397	39	436	397	39
59	47	12	59	47	12
40		40	40		40
210	210		210	210	
205	182	23	205	182	23
52	47	5	52	47	5
196	195	1	196	195	1
123	82	41	123	82	41
982	875	107	982	875	107
53	43	10	53	43	10
85	61	24	85	61	24

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
MEDICAL LICENSURE						
NURSING						
OPHTHALMIC DISPENSERS						
OPTOMETRIC EXAMINERS						
ART THERAPISTS						
OCCUPATIONAL THERAPY						
RESPIRATORY CARE PRACTITIONERS						
MARRIAGE AND FAMILY THERAPISTS						
BOARD OF:						
GEOLOGISTS						
PERSONNEL						
PHARMACY						
PHYSICAL THERAPISTS						
PODIATRY						
REGISTRATION FOR PROFESSIONAL						
ENGINEERS AND LAND SURVEYORS						
SPEECH PATHOLOGY AND AUDIOLOGY						
VETERINARY EXAMINERS						
KENTUCKY ATHLETICS COMMISSION						
EXECUTIVE BRANCH ETHICS COMMISSION						
REAL ESTATE COMMISSION						
REAL ESTATE APPRAISER BOARD						
COMMISSION ON HUMAN RIGHTS				350	256	94
COUNCIL ON POSTSECONDARY EDUCATION				3,104	876	2,228
PERSONNEL CABINET:						
GENERAL OPERATIONS						
PUBLIC EMPLOYEE DEFERRED						
COMPENSATION AUTHORITY						
UNIVERSITIES:						
EASTERN KENTUCKY UNIVERSITY						
KENTUCKY STATE UNIVERSITY						
MOREHEAD STATE UNIVERSITY						
MURRAY STATE UNIVERSITY						
NORTHERN KENTUCKY UNIVERSITY						
UNIVERSITY OF KENTUCKY						
UNIVERSITY OF LOUISVILLE						
WESTERN KENTUCKY UNIVERSITY						
KENTUCKY COMMUNITY AND TECHNICAL						
COLLEGE SYSTEM						
REVENUE CABINET:						
GENERAL OPERATIONS	1,385	1,385		15		15
OFFICE OF PROPERTY VALUATION						
ADMINISTRATORS ACCOUNTING						
FINANCE AND ADMINISTRATION CABINET:						
OFFICE OF THE SECRETARY				32	32	
OFFICE OF THE CONTROLLER						
OFFICE OF MANAGEMENT AND BUDGET						
RURAL EMPOWERMENT ZONE GRANT				8,000	4,839	3,161
KENTUCKY HIGHER EDUCATION ASSISTANCE						
AUTHORITY				1,100	517	583
COUNTY COSTS						
DEPARTMENT FOR ADMINISTRATION	277	277				
OFFICE OF GOVERNMENTAL SERVICES CENTER						
DEPARTMENT FOR FACILITIES MANAGEMENT						
CAMPBELL COUNTY FEES						
DAVIESS COUNTY FEES						
FAYETTE COUNTY FEES						
HARDIN COUNTY FEES						
JEFFERSON COUNTY FEES						
KENTON COUNTY FEES						
PIKE COUNTY FEES						
WARREN COUNTY FEES						
TOTAL GENERAL GOVERNMENT	1,787	1,753	34	135,993	68,451	67,542

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
1,805	1,740	65	1,805	1,740	65
3,710	3,340	370	3,710	3,340	370
47	44	3	47	44	3
147	141	6	147	141	6
10	8	2	10	8	2
67	53	14	67	53	14
176	138	38	176	138	38
64	62	2	64	62	2
143	124	19	143	124	19
5		5	5		5
753	736	17	753	736	17
308	206	102	308	206	102
14	13	1	14	13	1
1,167	1,155	12	1,167	1,155	12
97	72	25	97	72	25
210	171	39	210	171	39
131	122	9	131	122	9
6	6		6	6	
1,889	1,689	200	1,889	1,689	200
525	525		525	525	
24	20	4	374	276	98
4,011	3,748	263	7,115	4,624	2,491
9,876	9,764	112	9,876	9,764	112
4,916	3,841	1,075	4,916	3,841	1,075
124,540	124,445	95	124,540	124,445	95
29,710	25,677	4,033	29,710	25,677	4,033
73,049	46,643	26,406	73,049	46,643	26,406
59,801	57,005	2,796	59,801	57,005	2,796
71,581	69,991	1,590	71,581	69,991	1,590
855,867	669,448	186,419	855,867	669,448	186,419
294,103	30,920	263,183	294,103	30,920	263,183
100,664	72,134	28,530	100,664	72,134	28,530
189,175	87,890	101,285	189,175	87,890	101,285
3,800	3,317	483	5,200	4,702	498
3,241	3,165	76	3,241	3,165	76
2,449	2,215	234	2,481	2,247	234
375	366	9	375	366	9
43	18	25	43	18	25
8,000			8,000	4,839	3,161
41,203	39,591	1,612	42,303	40,108	2,195
1,980	1,980		1,980	1,980	
3,465	3,059	406	3,742	3,336	406
1,478	1,260	218	1,478	1,260	218
112	26	86	112	26	86
3,729	2,457	1,272	3,729	2,457	1,272
4,308	4,003	305	4,308	4,003	305
11,993	9,221	2,772	11,993	9,221	2,772
3,504	3,146	358	3,504	3,146	358
31,616	26,592	5,024	31,616	26,592	5,024
7,114	5,322	1,792	7,114	5,322	1,792
3,666	2,898	768	3,666	2,898	768
5,284	4,812	472	5,284	4,812	472
2,029,647	1,385,890	643,757	2,167,427	1,456,094	711,333

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
LEGISLATIVE AND JUDICIAL:						
GENERAL ASSEMBLY						
LEGISLATIVE RESEARCH COMMISSION				1		1
JUDICIAL FORM RETIREMENT SYSTEM						
COURT OF JUSTICE OPERATIONS AND ADMINISTRATION				5,005	3,167	1,838
TOTAL LEGISLATIVE AND JUDICIAL				5,006	3,167	1,839
COMMERCE:						
ECONOMIC DEVELOPMENT CABINET						
OFFICE OF THE SECRETARY						
ADMINISTRATION AND SUPPORT						
FINANCIAL INCENTIVES						
COMMUNITY DEVELOPMENT				160	115	45
TOURISM -						
OFFICE OF THE SECRETARY				34		34
TRAVEL DEVELOPMENT						
DEPARTMENT OF PARKS						
DEPARTMENT OF FISH AND WILDLIFE RESOURCES				5,900	5,738	162
TOTAL COMMERCE				6,094	5,853	241
EDUCATION AND HUMANITIES:						
COMMISSION ON THE DEAF AND HARD OF HEARING						
ENVIRONMENTAL EDUCATION COUNCIL						
KENTUCKY HERITAGE COUNCIL				796	763	33
KENTUCKY ARTS COUNCIL				640	637	3
OFFICE OF THE SECRETARY						
EDUCATION -						
EXECUTIVE POLICY AND MANAGEMENT				701	576	125
MANAGEMENT SUPPORT SERVICES				179,832	154,560	25,272
LEARNING RESULTS SERVICES						
LEARNING SUPPORT SERVICES				291,913	257,239	34,674
KENTUCKY EDUCATIONAL TELEVISION				700	70	630
KENTUCKY HISTORICAL SOCIETY				111		111
LIBRARIES AND ARCHIVES -						
DIRECT LOCAL AID				611	570	41
GENERAL OPERATIONS				1,809	1,448	361
TEACHERS RETIREMENT SYSTEM						
WORKFORCE DEVELOPMENT -						
OFFICE OF THE SECRETARY						
ADMINISTRATION & PROGRAM SUPPORT				1,114	553	561
BOARD OF PROPRIETARY EDUCATION				119	64	55
DEPARTMENT FOR THE BLIND				7,457	7,379	78
OFFICE OF TRAINING AND REEMPLOYMENT				62,768	32,680	30,088
DEPARTMENT FOR EMPLOYMENT SERVICES				41,828	41,301	527
DEPARTMENT FOR TECHNICAL EDUCATION				14,338	13,550	788
DEPT FOR ADULT EDUCATION & LITERACY				11,097	6,202	4,895
DEPT OF VOCATIONAL REHABILITATION				41,201	35,241	5,960
TOTAL EDUCATION AND HUMANITIES				657,035	552,833	104,202
HUMAN RESOURCES:						
CABINET FOR FAMILIES AND CHILDREN						
ADMINISTRATIVE SERVICES				36,048	34,690	1,358
DISABILITY DETERMINATION				37,419	34,274	3,145
COMMUNITY BASED SERVICES				467,674	431,696	35,978
FAMILY RESOURCES AND YOUTH SERVICES CENTERS				225	173	52



Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
438		438	438		438
1,609		1,609	1,610		1,610
153	127	26	153	127	26
12,287	6,150	6,137	17,292	9,317	7,975
14,487	6,277	8,210	19,493	9,444	10,049
3,367	2,801	566	3,367	2,801	566
160	38	122	160	38	122
1,912	1,348	564	1,912	1,348	564
688	364	324	848	479	369
100	100		134	100	34
4	4		4	4	
26,737	26,325	412	32,637	32,063	574
32,968	30,980	1,988	39,062	36,833	2,229
261	210	51	261	210	51
209	199	10	209	199	10
590	304	286	1,386	1,067	319
629	371	258	1,269	1,008	261
120	17	103	120	17	103
427	318	109	1,128	894	234
3,091	1,912	1,179	182,923	156,472	26,451
5,444	2,314	3,130	297,357	259,553	37,804
2,322	1,453	869	3,022	1,523	1,499
671	454	217	782	454	328
9		9	620	570	50
1,903	1,434	469	3,712	2,882	830
5,696	5,517	179	5,696	5,517	179
6,102	4,621	1,481	7,216	5,174	2,042
891	751	140	1,010	815	195
1,676	1,452	224	9,133	8,831	302
68		68	62,836	32,680	30,156
14,545	8,371	6,174	56,373	49,672	6,701
19,041	17,950	1,091	33,379	31,500	1,879
3,576	1,131	2,445	14,673	7,333	7,340
2,847	2,514	333	44,048	37,755	6,293
70,118	51,293	18,825	727,153	604,126	123,027
4,183	4,183		40,231	38,873	1,358
74	59	15	37,493	34,333	3,160
93,280	80,516	12,764	560,954	512,212	48,742
4	4		229	177	52

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
CABINET FOR HEALTH SERVICES						
ADMINISTRATIVE SUPPORT				2,019	1,989	30
OFFICE OF INSPECTOR GENERAL				10,193	9,906	287
DEPARTMENT OF PUBLIC HEALTH				122,036	113,873	8,163
DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION				45,587	39,487	6,100
DEPARTMENT FOR MEDICAID SERVICES				38,571	34,893	3,678
MEDICAID SERVICES BENEFITS				2,421,813	2,412,590	9,223
OFFICE OF CERTIFICATE OF NEED						
COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS				5,384	5,372	12
OFFICE OF AGING SERVICES				17,154	16,250	904
TOTAL HUMAN RESOURCES				3,204,123	3,135,193	68,930
JUSTICE:						
OFFICE OF THE SECRETARY				13,088	10,619	2,469
DEPARTMENT OF STATE POLICE	30,000	30,000		9,961	7,537	2,424
DEPARTMENT OF JUVENILE JUSTICE				19,812	18,235	1,577
DEPARTMENT OF CRIMINAL JUSTICE TRAINING				2,368	628	1,740
DEPARTMENT OF CORRECTIONS - MANAGEMENT				3,165	3,128	37
ADULT INSTITUTIONS				370	143	227
COMMUNITY SERVICE AND LOCAL FACILITIES				125	116	9
TOTAL JUSTICE	30,000	30,000		48,889	40,406	8,483
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:						
OFFICE OF THE SECRETARY				1,758	1,577	181
KENTUCKY RIVER AUTHORITY						
ENVIRONMENTAL QUALITY COMMISSION						
KENTUCKY NATURE PRESERVES COMMISSION				52	34	18
DEPARTMENT FOR ENVIRONMENTAL PROTECTION				17,807	12,376	5,431
DEPARTMENT FOR NATURAL RESOURCES				4,033	2,291	1,742
DEPARTMENT FOR SURFACE MINING - RECLAMATION & ENFORCEMENT				16,246	13,816	2,430
AML RECLAMATION PROJECTS				22,000	10,050	11,950
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION				61,896	40,144	21,752
PUBLIC PROTECTION AND REGULATION:						
OFFICE OF THE SECRETARY						
BOARD OF CLAIMS AND CRIME VICTIMS COMPENSATION				400	60	340
KENTUCKY RACING COMMISSION						
PUBLIC SERVICE COMMISSION				216	167	49
HEALTH PURCHASING ALLIANCE						
DEPARTMENT:						
FOR PUBLIC ADVOCACY				1,155	862	293
OF ALCOHOLIC BEVERAGE CONTROL				533	69	464
OF CHARITABLE GAMING						
OF FINANCIAL INSTITUTIONS						
OF HOUSING, BUILDINGS, AND CONSTRUCTION						
OF INSURANCE						
FOR MINES AND MINERALS				625	625	

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
4,697	4,262	435	6,716	6,251	465
2,359	1,011	1,348	12,552	10,917	1,635
45,185	30,405	14,780	167,221	144,278	22,943
174,126	169,387	4,739	219,713	208,874	10,839
13,941	13,911	30	52,512	48,804	3,708
300,572	296,562	4,010	2,722,385	2,709,152	13,233
462	425	37	462	425	37
4,396	4,396		9,780	9,768	12
4,965	6	4,959	22,119	16,256	5,863
648,244	605,127	43,117	3,852,367	3,740,320	112,047
1,894	1,314	580	14,982	11,933	3,049
10,846	7,597	3,249	50,807	45,134	5,673
16,790	16,788	2	36,602	35,023	1,579
34,551	34,022	529	36,919	34,650	2,269
225	225		3,390	3,353	37
3,500	3,500		3,870	3,643	227
640	457	183	765	573	192
68,446	63,903	4,543	147,335	134,309	13,026
443	293	150	2,201	1,870	331
1,346	716	630	1,346	716	630
7		7	7		7
338	225	113	390	259	131
22,183	19,024	3,159	39,990	31,400	8,590
5,198	2,935	2,263	9,231	5,226	4,005
5,466	3,087	2,379	21,712	16,903	4,809
			22,000	10,050	11,950
34,981	26,280	8,701	96,877	66,424	30,453
2,020	1,776	244	2,020	1,776	244
2,112	1,353	759	2,512	1,413	1,099
16,154	14,585	1,569	16,154	14,585	1,569
24	24		240	191	49
762	762		762	762	
3,031	2,477	554	4,186	3,339	847
4,543	4,052	491	5,076	4,121	955
3,230	2,929	301	3,230	2,929	301
8,842	8,313	529	8,842	8,313	529
14,629	13,713	916	14,629	13,713	916
18,092	16,041	2,051	18,092	16,041	2,051
1,742	1,741	1	2,367	2,366	1

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
LABOR CABINET -						
OFFICE OF THE SECRETARY						
OCCUPATIONAL SAFETY AND HEALTH						
REVIEW COMMISSION						
WORKPLACE STANDARDS				3,853	3,206	647
TOTAL PUBLIC PROTECTION AND REGULATION				6,782	4,989	1,793
TRANSPORTATION:						
ADMINISTRATION & SUPPORT	62,359	58,996	3,363			
REVENUE SHARING	266,291	211,595	54,696			
AIR TRANSPORTATION				8,287	9	8,278
HIGHWAYS	1,200,636	633,574	567,062	1,086,224	511,189	575,035
HIGHWAYS-PUBLIC TRANSPORTATION				13,381	9,630	3,751
VEHICLE REGULATION	31,053	28,619	2,434	4,102	3,952	150
DEBT SERVICE	155,993	154,313	1,680			
TRANSFERS TO CAPITAL CONSTRUCTION	10,370	10,370				
ROAD FUND JUDGEMENTS	338		338			
1990 ECONOMIC DEVELOPMENT BOND PROJECTS						
TOTAL TRANSPORTATION	1,727,040	1,097,467	629,573	1,111,994	524,780	587,214
TOTAL EXPENDITURES	1,758,827	1,129,220	629,607	5,237,812	4,375,816	861,996
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(695,609)	(61,640)	633,969		7,766	
OTHER FINANCING SOURCES (USES):						
PROCEEDS FROM SALE OF BONDS						
TOTAL OTHER FINANCING SOURCES (USES)						
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(695,609)	(61,640)			7,766	
FUND BALANCES AT JULY 1	31,757	705,190	673,433		7,032	
MOVED TO AGENCY REVENUE FUND						
MOVED FROM FEDERAL FUND						
MOVED TO FLEET MANAGEMENT FUND						
MOVED TO UNIVERSITIES						
NON-BUDGETED ITEMS		1,307	1,307		(11,763)	
FUND BALANCES AT JUNE 30	\$ (663,852)	\$ 644,857	\$ 1,308,709	\$	\$ 3,035	\$

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
5,292	4,436	856	5,292	4,436	856
			3,853	3,206	647
80,473	72,202	8,271	87,255	77,191	10,064
600	81	519	62,959	59,077	3,882
5,598	3,214	2,384	266,291	211,595	54,696
128,473	37,425	91,048	13,885	3,223	10,662
955	840	115	2,415,333	1,182,188	1,233,145
5,350	2,190	3,160	14,336	10,470	3,866
			40,505	34,761	5,744
			155,993	154,313	1,680
			10,370	10,370	
			338		338
192,295	63,361	128,934	192,295	63,361	128,934
333,271	107,111	226,160	3,172,305	1,729,358	1,442,947
3,312,635	2,349,063	963,572	10,309,274	7,854,099	2,455,175
	1,264,851			1,210,977	
	100,400			100,400	
	100,400			100,400	
	1,365,251			1,311,377	
	584,424			1,296,646	
	(1,269,021)			(1,279,477)	
\$	\$ 680,654	\$	\$	\$ 1,328,546	\$

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## DEBT SERVICE FUND

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The **Debt Service Fund** accounts for payment of principal, interest, and administrative fees due on general long-term debt issues of the Commonwealth, and for the accumulation of financial resources used to make such payments.

The **Turnpike Authority of Kentucky** issues debt to acquire infrastructure which is leased to the Transportation Cabinet of the Commonwealth.

**COMMONWEALTH OF KENTUCKY**  
**BALANCE SHEET**  
**DEBT SERVICE FUND**  
**JUNE 30, 2001**

(Expressed in Thousands)

	Primary Government	Turnpike Authority of Kentucky	Totals June 30, 2001
<b><u>ASSETS</u></b>			
CASH AND CASH EQUIVALENTS	\$ 97	\$	\$ 97
CASH WITH FISCAL AGENTS	28,291	11,264	39,555
INVESTMENTS, NET OF AMORTIZATION	13,722	182,849	196,571
RECEIVABLES, NET	3,226	7,838	11,064
INTERFUND RECEIVABLES		66,900	66,900
TOTAL ASSETS	<u>\$ 45,336</u>	<u>\$ 268,851</u>	<u>\$ 314,187</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 35	\$	\$ 35
DEFERRED REVENUE	3,226		3,226
TOTAL LIABILITIES	<u>3,261</u>		<u>3,261</u>
FUND BALANCE:			
RESERVED FOR:			
DEPOSIT WITH FISCAL AGENTS	28,273		28,273
UNRESERVED:			
DESIGNATED FOR DEBT SERVICE	13,802	268,851	282,653
TOTAL FUND BALANCE	<u>42,075</u>	<u>268,851</u>	<u>310,926</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 45,336</u>	<u>\$ 268,851</u>	<u>\$ 314,187</u>

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<b>Primary Government</b>	<b>Turnpike Authority of Kentucky</b>	<b>Totals June 30, 2001</b>
REVENUES:			
CHARGES FOR SERVICES	\$ 1,706	\$	\$ 1,706
INTEREST AND OTHER INVESTMENT INCOME	(22)	23,569	23,547
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	7,881	5,804	13,685
TOTAL REVENUES	9,565	29,373	38,938
EXPENDITURES:			
PRINCIPAL RETIREMENT	184,584	81,105	265,689
INTEREST AND FISCAL CHARGES	113,337	67,669	181,006
OTHER EXPENDITURES	(40,184)	3,547	(36,637)
TOTAL EXPENDITURES	257,737	152,321	410,058
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(248,172)	(122,948)	(371,120)
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS IN - GENERAL FUND	246,062		246,062
OPERATING TRANSFERS IN - AGENCY REVENUE FUND		89,578	89,578
OPERATING TRANSFERS OUT - GENERAL FUND	(3,089)		(3,089)
PROCEEDS FROM SALE OF BONDS:			
REFUNDING ISSUES	410,706		410,706
PAYMENTS TO REFUNDED BOND ESCROW AGENT	(463,429)		(463,429)
TOTAL OTHER FINANCING SOURCES (USES)	190,250	89,578	279,828
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(57,922)	(33,370)	(91,292)
FUND BALANCE AT JULY 1, AS RESTATED	99,997	302,221	402,218
FUND BALANCE AT JUNE 30	\$ 42,075	\$ 268,851	\$ 310,926



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## CAPITAL PROJECTS FUND

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The **Capital Projects Fund** accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

**COMMONWEALTH OF KENTUCKY**  
**BALANCE SHEET**  
**CAPITAL PROJECTS FUND**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	<u>June 30, 2001</u>
<b><u>ASSETS</u></b>	
CASH AND CASH EQUIVALENTS	\$ 36,201
INVESTMENTS, NET OF AMORTIZATION	305,976
RECEIVABLES, NET	27,660
INTERFUND RECEIVABLES	24
TOTAL ASSETS	<u>\$ 369,861</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 23,179
INTERFUND PAYABLES	76
DEFERRED REVENUE	35,877
TOTAL LIABILITIES	<u>59,132</u>
FUND BALANCE:	
RESERVED FOR:	
ENCUMBRANCES	81,770
CAPITAL OUTLAY	529,164
UNRESERVED:	
UNDESIGNATED	<u>(300,205)</u>
TOTAL FUND BALANCE	<u>310,729</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 369,861</u>

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
**(Expressed in Thousands)**

	<u>June 30, 2001</u>
REVENUES:	
INTERGOVERNMENTAL	\$ 16,481
INTEREST AND OTHER INVESTMENT INCOME	60,616
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	50
OTHER REVENUES	<u>21,191</u>
TOTAL REVENUES	<u>98,338</u>
EXPENDITURES:	
CAPITAL OUTLAY:	
GENERAL GOVERNMENT	126,669
COMMERCE	91,123
EDUCATION AND HUMANITIES	23,292
HUMAN RESOURCES	3,761
JUSTICE	44,077
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	8,466
PUBLIC PROTECTION AND REGULATION	167
TRANSPORTATION	<u>11,456</u>
TOTAL EXPENDITURES	<u>309,011</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(210,673)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS OUT	(313,539)
PROCEEDS FROM SALE OF BONDS :	
NEW ISSUES	<u>516,697</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>203,158</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(7,515)
FUND BALANCE AT JULY 1, AS RESTATED	318,244
FUND BALANCE AT JUNE 30	<u><u>\$ 310,729</u></u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF CONSTRUCTION IN PROGRESS**  
**CAPITAL PROJECTS FUND - (BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Appropriations		Expenditures		Unexpended
	To Date	Prior Years	Current Year	Totals	Balances
GENERAL GOVERNMENT:					
CABINET OF THE GENERAL GOVERNMENT	\$ 631,565	\$ 121,467	\$ 107,929	\$ 229,396	\$ 402,169
REVENUE CABINET	625	424	89	513	112
FINANCE AND ADMINISTRATION CABINET	414,734	238,757	38,465	277,222	137,512
CABINET FOR UNIVERSITIES	4,858,689	965,945	192,140	1,158,085	3,700,604
PERSONNEL CABINET	3,600	1,590	812	2,402	1,198
TOTAL GENERAL GOVERNMENT	5,909,213	1,328,183	339,435	1,667,618	4,241,595
COMMERCE:					
CABINET FOR ECONOMIC DEVELOPMENT	176,221	61,765	59,680	121,445	54,776
TOURISM CABINET	346,509	227,705	30,942	258,647	87,862
TOTAL COMMERCE	522,730	289,470	90,622	380,092	142,638
EDUCATION AND HUMANITIES:					
EDUCATION, ARTS AND HUMANITIES CABINET	150,245	58,042	23,230	81,272	68,973
CABINET FOR WORKFORCE DEVELOPMENT	30,843	17,404	2,142	19,546	11,297
TOTAL EDUCATION AND HUMANITIES	181,088	75,446	25,372	100,818	80,270
HUMAN RESOURCES:					
CABINET FOR FAMILIES AND CHILDREN	8,031	3,188	408	3,596	4,435
CABINET FOR HEALTH SERVICES	34,048	16,359	2,900	19,259	14,789
TOTAL HUMAN RESOURCES	42,079	19,547	3,308	22,855	19,224
JUSTICE:					
JUSTICE CABINET	386,634	143,053	43,772	186,825	199,809
TOTAL JUSTICE	386,634	143,053	43,772	186,825	199,809
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:					
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET	73,695	14,291	8,376	22,667	51,028
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	73,695	14,291	8,376	22,667	51,028
PUBLIC PROTECTION AND REGULATION:					
PUBLIC PROTECTION AND REGULATION CABINET	8,428	7,436	211	7,647	781
LABOR CABINET	3,188	2,942		2,942	246
TOTAL PUBLIC PROTECTION AND REGULATION	11,616	10,378	211	10,589	1,027
TRANSPORTATION:					
TRANSPORTATION CABINET	189,226	37,205	13,334	50,539	138,687
TOTAL TRANSPORTATION	189,226	37,205	13,334	50,539	138,687
TOTAL PROJECTS	\$ 7,316,281	\$ 1,917,573	\$ 524,430	\$ 2,442,003	\$ 4,874,278

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## ENTERPRISE FUNDS

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The **Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. The State enterprise operations are described below.

**State Parks Fund** - accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

**Kentucky Lottery Corporation** - empowered by KRS 154A to administer the Kentucky state lottery created pursuant to amended Section 226 of the Constitution of Kentucky as ratified by the voters of the Commonwealth.

**State Horse Park Fund** - accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

**Insurance Administration Fund** - accounts for insurance risk pools operated by the State. These include:

***Kentucky Kare*** - a self insured health care plan offered to employees of the State, local boards of education, local health departments, and retirees under the age of 65.

***Workers' Compensation Special Fund*** - provides benefits for workers with illnesses which are not attributable to one employer.

***Coal Workers Pneumoconiosis Fund*** - provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.

***Petroleum Storage Tank Environmental Assurance Program*** - provides for the clean-up of leaking underground storage tanks in amounts that exceed the insurance coverage required of the owners and operators.

***Mine Subsidence Insurance Program*** - provides coverage against losses arising out of or due to mine subsidence within this state.

***Bond Pool Program*** - provides coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**ENTERPRISE FUNDS**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	State Parks	Kentucky Lottery Corporation	Horse Park	Insurance Administration	Totals June 30, 2001
<b><u>ASSETS</u></b>					
CASH AND CASH EQUIVALENTS	\$ 4,759	\$ 27,221	\$ 320	\$ 39,828	\$ 72,128
INVESTMENTS, NET OF AMORTIZATION		27,615			27,615
RECEIVABLES, NET	1,062	21,149	425	24,204	46,840
INTERFUND RECEIVABLES	200		3		203
INTEREST RECEIVABLE				2,456	2,456
INVENTORIES	2,606	340	536		3,482
PREPAID EXPENSES	9	688			697
TOTAL CURRENT ASSETS	8,636	77,013	1,284	66,488	153,421
OTHER ASSETS:					
LONG TERM INVESTMENTS	1,285	231,000	46	436,056	668,387
LONG-TERM RECEIVABLES		3,630			3,630
TOTAL OTHER ASSETS	1,285	234,630	46	436,056	672,017
FIXED ASSETS:					
LAND	11,967	423	2,954		15,344
IMPROVEMENTS OTHER THAN BUILDINGS	48,772	327	14,765		63,864
BUILDINGS	122,951	7,142	15,680		145,773
MACHINERY AND EQUIPMENT	13,557	27,940	2,668	2,564	46,729
LESS: ACCUMULATED DEPRECIATION	(85,806)	(24,619)	(21,573)	(1,019)	(133,017)
CONSTRUCTION IN PROGRESS	67,157		1,349		68,506
TOTAL FIXED ASSETS, NET	178,598	11,213	15,843	1,545	207,199
TOTAL ASSETS	\$ 188,519	\$ 322,856	\$ 17,173	\$ 504,089	\$ 1,032,637
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE	\$ 5,125	\$ 10,587	\$ 821	\$ 3,427	\$ 19,960
INTERFUND PAYABLES	316			12,527	12,843
CLAIMS LIABILITY				123,928	123,928
CLAIMS ADJUSTMENT LIABILITY				5,560	5,560
CAPITAL LEASE OBLIGATIONS	18		17		35
NOTES PAYABLE		1,356			1,356
PRIZE LIABILITY		45,261			45,261
COMPENSATED ABSENCES	2,420	698	262	1,653	5,033
DEFERRED REVENUE	(12)		82		70
TOTAL CURRENT LIABILITIES	7,867	57,902	1,182	147,095	214,046
LONG-TERM LIABILITIES:					
CLAIMS LIABILITY				1,159,189	1,159,189
CLAIMS ADJUSTMENT LIABILITY				71,081	71,081
CAPITAL LEASE OBLIGATIONS	14		27		41
NOTES PAYABLE		341			341
COMPENSATED ABSENCES	2,796		321	129	3,246
OTHER LIABILITIES	511	217,979			218,490
TOTAL LONG-TERM LIABILITIES	3,321	218,320	348	1,230,399	1,452,388
TOTAL LIABILITIES	11,188	276,222	1,530	1,377,494	1,666,434
FUND EQUITY:					
CONTRIBUTED CAPITAL	139,470		15,495		154,965
RETAINED EARNINGS:					
UNRESERVED	37,861	46,634	148	(873,405)	(788,762)
TOTAL FUND EQUITY	177,331	46,634	15,643	(873,405)	(633,797)
TOTAL LIABILITIES AND FUND EQUITY	\$ 188,519	\$ 322,856	\$ 17,173	\$ 504,089	\$ 1,032,637

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	State Parks	Kentucky Lottery Corporation	Horse Park	Insurance Administration	Totals June 30, 2001
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 48,031	\$	\$ 5,624	\$ 119,473	\$ 173,128
INTEREST AND OTHER INVESTMENT INCOME				2,561	2,561
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	(1)			(1,054)	(1,055)
LOTTERY PROCEEDS		590,851			590,851
OTHER REVENUES	313		2	3,005	3,320
TOTAL OPERATING REVENUES	48,343	590,851	5,626	123,985	768,805
OPERATING EXPENSES:					
PERSONAL EXPENSES	47,198	10,990	4,233	17,773	80,194
UTILITIES, RENTALS, AND OTHER SERVICES	12,908	134	1,647	1,958	16,647
COMMODITIES AND SUPPLIES	25,577	228	2,192	469	28,466
GRANTS AND SUBSIDIES		2,115			2,115
DEPRECIATION AND AMORTIZATION	4,765	3,207	512	187	8,671
TRAVEL	168	625	18	453	1,264
CLAIMS EXPENSE	64			85,847	85,911
CLAIMS ADJUSTMENT EXPENSE				765	765
PRIZE EXPENSE		419,198			419,198
OTHER EXPENSES		165		395	560
TOTAL OPERATING EXPENSES	90,680	436,662	8,602	107,847	643,791
OPERATING INCOME (LOSS)	(42,337)	154,189	(2,976)	16,138	125,014
NONOPERATING REVENUES (EXPENSES)					
GAIN (LOSS) ON SALE OF FIXED ASSETS	586		95	(6)	675
INTEREST AND OTHER INVESTMENT INCOME	233	3,622	18	20,859	24,732
INTEREST EXPENSE	(3)		(4)		(7)
OTHER REVENUES (EXPENSE)	(1)		(1)	113,717	113,715
TOTAL NONOPERATING REVENUES (EXPENSES)	815	3,622	108	134,570	139,115
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(41,522)	157,811	(2,868)	150,708	264,129
OPERATING TRANSFERS IN	37,325		1,751	60,370	99,446
OPERATING TRANSFERS OUT	(2,545)	(157,030)	(12)	(13,353)	(172,940)
NET INCOME (LOSS)	(6,742)	781	(1,129)	197,725	190,635
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	1,568		466		2,034
INCREASE (DECREASE) IN RETAINED EARNINGS	(5,174)	781	(663)	197,725	192,669
RETAINED EARNINGS AT JULY 1	43,035	45,853	811	(1,071,130)	(981,431)
RETAINED EARNINGS AT JUNE 30	\$ 37,861	\$ 46,634	\$ 148	\$ (873,405)	\$ (788,762)

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	State
	Parks
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 47,174
CASH RECEIVED FROM CUSTOMERS - STATE	1,035
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(38,199)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(47,232)
CASH PAYMENTS FOR CLAIMS EXPENSE	(64)
CASH PAYMENTS FROM OTHER SOURCES	313
CASH PAYMENTS TO OTHER SOURCES	
NET CASH PROVIDED BY OPERATING ACTIVITIES	(36,973)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
OPERATING TRANSFERS-IN FROM OTHER FUNDS	37,325
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(2,545)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	34,780
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,099)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	
PROCEEDS FROM SALE OF CAPITAL ASSETS	586
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(513)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
PURCHASE OF INVESTMENT SECURITIES	
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES	3,210
INTEREST AND DIVIDENDS ON INVESTMENTS	227
NET CASH USED IN INVESTING ACTIVITIES	3,437
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	731
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,028
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,759
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
OPERATING INCOME (LOSS)	\$ (42,337)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
DEPRECIATION AND AMORTIZATION	4,765
INTEREST AND OTHER INVESTMENT INCOME	
MISCELLANEOUS NONOPERATING INCOME (EXPENSE)	
CHANGE IN ASSETS AND LIABILITIES:	
(INCREASE) DECREASE IN ASSETS	
RECEIVABLES, NET	734
INTERFUND RECEIVABLES	1,946
FAIR VALUE OF INVESTMENTS	1
INVENTORIES	18
PREPAID EXPENSES	(4)
INCREASE (DECREASE) IN LIABILITIES	
ACCOUNTS PAYABLE	2,218
INTERFUND PAYABLES	(1,946)
CLAIMS LIABILITY	
CLAIMS ADJUSTMENT LIABILITY	
COMPENSATED ABSENCES	133
DEFERRED REVENUE	(2,501)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (36,973)

THROUGH CONTRIBUTED CAPITAL, STATE PARKS AND THE HORSE PARK ACQUIRED FIXED ASSETS COSTING \$11,696(000), AND \$1,776(000), RESPECTIVELY. THE ACCRETION OF INTEREST ON INVESTMENTS HELD BY THE LOTTERY TO FUND GRAND PRIZES, WHICH INCREASED PRIZE LIABILITY, TOTALED \$21,481,(000) FOR THE YEAR.



Lottery Corporation		Horse Park		Insurance Administration		Totals June 30,2001	
\$	589,356	\$	5,551	\$	118,838	\$	760,919
			67		(239)		863
	(153,287)		(3,347)		(3,625)		(198,458)
	(10,990)		(4,240)		(17,820)		(80,282)
	(349,820)				(130,118)		(480,002)
					(41,727)		(41,414)
	75,259		(1,969)		(74,691)		(38,374)
			1,751		60,370		99,446
	(159,905)		(13)		(5,353)		(167,816)
	(159,905)		1,738		55,017		(68,370)
	(1,560)		(88)		(1,159)		(3,906)
	(1,356)						(1,356)
	(165)		(3)				(168)
			94				680
	(3,081)		3		(1,159)		(4,750)
	(4,270)				(4,290)		(8,560)
	87,132		151		14,646		105,139
	2,293		18		17,949		20,487
	85,155		169		28,305		117,066
	(2,572)		(59)		7,472		5,572
	29,793		379		32,356		66,556
\$	27,221	\$	320	\$	39,828	\$	72,128
\$	154,189	\$	(2,976)	\$	16,138	\$	125,014
	3,207		512		187		8,671
					(732)		(732)
					(45,436)		(45,436)
	(1,672)		17		(6,660)		(7,581)
	2,767		(2)		3,910		8,621
	45		(13)		(11)		(10)
	(339)						50
							(343)
	(82,909)		505		133		(80,053)
			(1)		3		(1,944)
					2,331		2,331
					(45,837)		(45,837)
	(29)		12		(18)		98
			(23)		1,301		(1,223)
\$	75,259	\$	(1,969)	\$	(74,691)	\$	(38,374)

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	State Parks			Horse Park		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
TAXES	\$	\$	\$	\$	\$	\$
LICENSES, FEES, AND PERMITS						
CHARGES FOR SERVICES		48,216			5,797	
FINES AND FORFEITS						
INTERGOVERNMENTAL INCOME		20				
INTEREST AND OTHER INVESTMENT INCOME		40				
OTHER REVENUES		336			3	
TRANSFERS IN (INTERFUND)						
TRANSFERS IN (INTRAFUND)		1,035				
TOTAL REVENUES		49,647			5,800	
EXPENSES:						
GENERAL GOVERNMENT:						
OFFICE OF THE ATTORNEY GENERAL						
PERSONNEL CABINET						
FINANCE AND ADMINISTRATION						
COMMERCE	50,359	50,358	1	5,755	5,753	2
EDUCATION AND HUMANITIES						
NATURAL RESOURCES AND						
ENVIRONMENTAL PROTECTION:						
DEPT FOR SURFACE MINING						
RECLAMATION & ENFORCEMENT						
DEPARTMENT FOR SURFACE MINING						
RECLAMATION AND ENFORCEMENT						
PUBLIC PROTECTION AND REGULATION:						
SECRETARY'S OFFICE						
DEPARTMENT OF INSURANCE						
LABOR CABINET:						
KENTUCKY OCCUPATIONAL SAFETY &						
HEALTH REVIEW COMMISSION						
DEPARTMENT OF WORKPLACE						
STANDARDS						
DEPARTMENT OF WORKERS CLAIMS						
WORKERS COMPENSATION FUNDING						
COMMISSION						
TOTAL EXPENSES	50,359	50,358	1	5,755	5,753	2
EXCESS OF REVENUES OVER						
(UNDER) EXPENSES		(711)			47	
FUND BALANCES/FUND EQUITY AT JULY 1, AS RESTATED		177,671			15,081	
NON-BUDGETED ITEMS		(11,025)			(13)	
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 165,935	\$	\$	\$ 15,115	\$

Insurance Administration		
Budget	Actual	Variance
\$	\$ 649	\$
	78,500	
	410	
	8,592	
	39,427	
	60,370	
	155,184	
	343,132	
4,232	3,996	236
418	405	13
240	162	78
719	101	618
42,719	33,076	9,643
219	151	68
430	405	25
131,541	104,038	27,503
14,942	12,851	2,091
135,958	134,288	1,670
331,418	289,473	41,945
	53,659	
	153,800	
	(37,911)	
\$	\$ 169,548	\$

Totals		
Budget	Actual	Variance
\$	\$ 649	\$
	132,513	
	410	
	20	
	8,632	
	39,766	
	60,370	
	156,219	
	398,579	
4,232	3,996	236
418	405	13
240	162	78
56,114	56,111	3
719	101	618
42,719	33,076	9,643
219	151	68
430	405	25
131,541	104,038	27,503
14,942	12,851	2,091
135,958	134,288	1,670
387,532	345,584	41,948
	52,995	
	346,552	
	(48,949)	
\$	\$ 350,598	\$



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## INTERNAL SERVICE FUNDS

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**Internal Service Funds** account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies or governments. Kentucky uses the following Internal Service Funds:

**Fleet Management Fund** - accounts for expenses incurred and reimbursements received by the Transportation Cabinet for the management and maintenance of the State's motor vehicle fleet.

**Computer Services Fund** - accounts for expenses incurred and reimbursements received by the Governor's Office for Technology for computer and related data processing services.

**Prison Industries Fund** - accounts for expenses incurred and reimbursements received by the Department of Corrections' industrial prison operations.

**Central Printing Fund** - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Printing.

**Property Management Fund** - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's space rental and maintenance operation.

**Risk Management Fund** - accounts for the self insurance operations of the State which include:

***Fire and Tornado Insurance Program*** - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

***State Workers' Compensation Program*** - accounts for monies received by the Personnel Cabinet from State agencies and expended for claims for job related injuries to State employees.

***Transportation Cabinet's Self-Insured Workers' Compensation Trust Program*** - provides workers' compensation insurance for the employees of the Transportation Cabinet.

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2001**  
**(Expressed in Thousands)**

		<b>Fleet Management</b>	<b>Computer Services</b>
	<b><u>ASSETS</u></b>		
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS		\$ 480	\$ 593
RECEIVABLES, NET		43	551
INTERFUND RECEIVABLES			4,089
INVENTORIES			293
PREPAID EXPENSES			1,726
TOTAL CURRENT ASSETS		523	7,252
OTHER ASSETS:			
LONG-TERM INVESTMENTS		2,539	2,267
TOTAL OTHER ASSETS		2,539	2,267
FIXED ASSETS:			
LAND			
IMPROVEMENTS OTHER THAN BUILDINGS			356
BUILDINGS			6,920
MACHINERY AND EQUIPMENT		83,315	34,524
LESS: ACCUMULATED DEPRECIATION		(53,135)	(32,948)
CONSTRUCTION IN PROGRESS			
TOTAL FIXED ASSETS, NET		30,180	8,852
TOTAL ASSETS		\$ 33,242	\$ 18,371
	<b><u>LIABILITIES AND FUND EQUITY</u></b>		
LIABILITIES:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE		\$ 297	\$ 6,192
INTERFUND PAYABLES		17	21
CLAIMS LIABILITY			
CAPITAL LEASE OBLIGATIONS		1,187	303
COMPENSATED ABSENCES			2,647
DEFERRED REVENUE			3,998
TOTAL CURRENT LIABILITIES		1,501	13,161
LONG-TERM LIABILITIES:			
CLAIMS LIABILITY			
CAPITAL LEASE OBLIGATIONS		2,686	184
COMPENSATED ABSENCES			2,529
TOTAL LONG-TERM LIABILITIES		2,686	2,713
TOTAL LIABILITIES		4,187	15,874
FUND EQUITY:			
CONTRIBUTED CAPITAL			
RETAINED EARNINGS:			
UNRESERVED		29,055	2,497
TOTAL FUND EQUITY		29,055	2,497
TOTAL LIABILITIES AND FUND EQUITY		\$ 33,242	\$ 18,371

<b>Prison Industries</b>	<b>Central Printing</b>	<b>Property Management</b>	<b>Risk Management</b>	<b>Totals June 30, 2001</b>
\$ 829	\$ 91	\$ 153	\$ 3,708	\$ 5,854
314	19	146	85	1,158
820	186	550	160	5,805
3,464	282			4,039
			701	2,427
5,427	578	849	4,654	19,283
2,498	486	807	18,783	27,380
2,498	486	807	18,783	27,380
918		5,377		6,295
		2,807		3,163
3,840		185,576		196,336
3,531	1,735	1,507		124,612
(3,871)	(1,436)	(85,297)		(176,687)
		1,979		1,979
4,418	299	111,949		155,698
\$ 12,343	\$ 1,363	\$ 113,605	\$ 23,437	\$ 202,361
\$ 425	\$ 150	\$ 807	\$ 3,534	\$ 11,405
92		19	102	251
			12,727	12,727
	98			1,588
256	151	582	38	3,674
395	141	31	166	4,731
1,168	540	1,439	16,567	34,376
			86,047	86,047
	96			2,966
209	176	500		3,414
209	272	500	86,047	92,427
1,377	812	1,939	102,614	126,803
1,256		81,855		83,111
9,710	551	29,811	(79,177)	(7,553)
10,966	551	111,666	(79,177)	75,558
\$ 12,343	\$ 1,363	\$ 113,605	\$ 23,437	\$ 202,361

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<b>Fleet Management</b>	<b>Computer Services</b>
OPERATING REVENUES:		
CHARGES FOR SERVICES	\$ 22,737	\$ 58,065
INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENTS	4	84
OTHER REVENUES	256	43
TOTAL OPERATING REVENUE	22,997	58,192
OPERATING EXPENSES:		
PERSONAL SERVICES	1,622	33,056
UTILITIES, RENTALS, AND OTHER SERVICES	1,550	17,856
COMMODITIES AND SUPPLIES	5,791	4,500
GRANTS AND SUBSIDIES	112	1
DEPRECIATION AND AMORTIZATION	12,017	2,322
TRAVEL	6	405
REINSURANCE EXPENSE		
CLAIMS EXPENSE	670	
TOTAL OPERATING EXPENSES	21,768	58,140
OPERATING INCOME (LOSS)	1,229	52
NONOPERATING REVENUES (EXPENSES):		
GAIN (LOSS) ON SALE OF FIXED ASSETS	(133)	
INTEREST AND OTHER INVESTMENT INCOME	(4)	208
INTEREST EXPENSE	(615)	
OTHER REVENUE (EXPENSES)	(2,412)	(44)
TOTAL NONOPERATING REVENUES AND EXPENSES	(3,164)	164
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(1,935)	216
OPERATING TRANSFERS IN		3,831
OPERATING TRANSFERS OUT	(1,500)	(5,071)
NET INCOME (LOSS)	(3,435)	(1,024)
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS		
INCREASE (DECREASE) IN RETAINED EARNINGS	(3,435)	(1,024)
RETAINED EARNINGS AT JULY 1, AS RESTATED	32,490	3,521
RETAINED EARNINGS AT JUNE 30	\$ 29,055	\$ 2,497



<b>Prison Industries</b>	<b>Central Printing</b>	<b>Property Management</b>	<b>Risk Management</b>	<b>Totals June 30, 2001</b>
<b>\$</b> 12,740	<b>\$</b> 4,847	<b>\$</b> 20,621	<b>\$</b> 23,537	<b>\$</b> 142,547
131	21	81	13	334
34	5	5	583	926
12,905	4,873	20,707	24,133	143,807
3,541	2,302	9,971	2,328	52,820
672	1,460	10,329	1,398	33,265
21,539	1,372	1,992	29	35,223
689		1		803
162	99	4,455		19,055
63	1	91	23	589
			1,126	1,126
			38,402	39,072
26,666	5,234	26,839	43,306	181,953
(13,761)	(361)	(6,132)	(19,173)	(38,146)
				(133)
95	12	120		431
	(18)			(633)
				(2,456)
95	(6)	120		(2,791)
(13,666)	(367)	(6,012)	(19,173)	(40,937)
12,840		2,597		19,268
(9)			(3,282)	(9,862)
(835)	(367)	(3,415)	(22,455)	(31,531)
30		2,203		2,233
(805)	(367)	(1,212)	(22,455)	(29,298)
10,515	918	31,023	(56,722)	21,745
<b>\$</b> 9,710	<b>\$</b> 551	<b>\$</b> 29,811	<b>\$</b> (79,177)	<b>\$</b> (7,553)

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<b>Fleet Management</b>	<b>Computer Services</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ (8)	\$ 573
CASH RECEIVED FROM CUSTOMERS - STATE	24,381	64,684
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(9,749)	(30,767)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(1,628)	(33,311)
CASH PAYMENTS FOR CLAIMS EXPENSE		
CASH PAYMENTS FROM OTHER SOURCES	256	43
CASH PAYMENTS TO OTHER SOURCES		(45)
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,252	1,177
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
OPERATING TRANSFERS-IN FROM OTHER FUNDS		3,831
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(1,500)	(5,071)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(1,500)	(1,240)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(8,381)	(1,652)
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(615)	
PROCEEDS FROM SALE OF CAPITAL ASSETS	(133)	
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(9,129)	(1,652)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
PURCHASE OF INVESTMENT SECURITIES	(2,185)	472
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES		
INTEREST AND DIVIDENDS ON INVESTMENTS		293
NET CASH USED IN INVESTING ACTIVITIES	(2,185)	765
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	438	(950)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, AS RESTATED	42	1,543
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 480	\$ 593
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
OPERATING INCOME (LOSS)	\$ 1,229	\$ 52
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION	12,017	2,322
INTEREST AND OTHER INVESTMENT INCOME		
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)		(45)
CHANGE IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ASSETS		
RECEIVABLES, NET		(115)
INTERFUND RECEIVABLES	1,636	6,808
FAIR VALUE OF INVESTMENTS	(4)	(84)
INVENTORIES		2
PREPAID EXPENSES		(1,137)
INCREASE (DECREASE) IN LIABILITIES		
ACCOUNTS PAYABLE	201	2,038
INTERFUND PAYABLES	(1,827)	(9,313)
CLAIMS LIABILITY		
COMPENSATED ABSENCES		150
DEFERRED REVENUE		499
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 13,252	\$ 1,177

THROUGH CAPITAL LEASES, CENTRAL PRINTING ACQUIRED FIXED ASSETS COSTING \$294(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$99(000) AND \$18(000) RESPECTIVELY.  
THROUGH CONTRIBUTED CAPITAL, PRISON INDUSTRIES ACQUIRED FIXED ASSETS COSTING \$1,208(000)  
THROUGH CONTRIBUTED CAPITAL PROPERTY MANAGEMENT ACQUIRED FIXED ASSETS COSTING \$2,670(000)  
THROUGH CAPITAL LEASES, FLEET MANAGEMENT ACQUIRED FIXED ASSETS COSTING \$5,762(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$1,890(000) AND \$280(000) RESPECTIVELY.

<b>Prison Industries</b>	<b>Central Printing</b>	<b>Property Management</b>	<b>Risk Management</b>	<b>Totals June 30, 2000</b>
3,132	\$	\$ 76	\$	\$ 3,773
10,144	5,045	20,420	23,543	148,217
(23,045)	(2,851)	(13,516)	(2,056)	(81,984)
(3,568)	(2,317)	(10,097)	(1,016)	(51,937)
			(19,363)	(19,363)
34	5	5		343
			(1,452)	(1,497)
(13,303)	(118)	(3,112)	(344)	(2,448)
12,840		2,597		19,268
(9)			(3,282)	(9,862)
12,831		2,597	(3,282)	9,406
175	179	(733)		(10,412)
				(615)
				(133)
175	179	(733)		(11,160)
(1,315)	(301)	(66)		(3,395)
			4,117	4,117
226	15	200	511	1,245
(1,089)	(286)	134	4,628	1,967
(1,386)	(225)	(1,114)	1,002	(2,235)
2,215	316	1,267	2,706	8,089
829	\$ 91	\$ 153	\$ 3,708	\$ 5,854
(13,761)	\$ (361)	\$ (6,132)	\$ (19,173)	\$ (38,146)
162	99	4,455		19,055
			(498)	(498)
				(45)
(247)	(13)	120	(84)	(339)
388	111	(87)	(160)	8,696
(131)	(21)	(81)	(13)	(334)
(29)	12	(66)		(81)
			(83)	(1,220)
(184)	(29)	(867)	(109)	1,050
69	(2)	(327)	102	(11,298)
			19,495	19,495
35	(14)	(35)	13	149
395	100	(92)	166	1,068
(13,303)	\$ (118)	\$ (3,112)	\$ (344)	\$ (2,448)

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Budget	Actual	Variance
<b>TRANSPORTATION - FLEET MANAGEMENT</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 22,745	\$
OTHER REVENUES		1,425	
TOTAL REVENUES		24,170	
EXPENSES:	23,947	20,018	3,929
EXCESS OF REVENUES OVER (UNDER) EXPENSES		4,152	
FUND EQUITY AT JULY 1, AS RESTATED		33,081	
NON-BUDGETED ITEMS		(1,457)	
FUND EQUITY AT JUNE 30	\$	\$ 35,776	\$
<b>GENERAL GOVERNMENT - COMPUTER SERVICES</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 58,047	\$
OTHER REVENUES		43	
TRANSFERS IN (INTERFUND)		198	
TRANSFERS IN (INTRAFUND)			
TOTAL REVENUES		58,288	
EXPENSES:	62,039	57,523	4,516
EXCESS OF REVENUES OVER (UNDER) EXPENSES		765	
FUND EQUITY AT JULY 1, AS RESTATED		13,986	
NON-BUDGETED ITEMS		(511)	
FUND EQUITY AT JUNE 30	\$	\$ 14,240	\$
<b>JUSTICE - PRISON INDUSTRIES</b>			
REVENUES:			
LICENSES, FEES, AND PERMITS	\$	\$	\$
CHARGES FOR SERVICES		12,869	
INTEREST AND INVESTMENT INCOME		1	
TRANSFERS IN (INTERFUND)		56	
OTHER REVENUES		34	
TOTAL REVENUES		12,960	
EXPENSES:	13,383	13,382	1
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(422)	
FUND EQUITY AT JULY 1, AS RESTATED		7,664	
NON - BUDGETED ITEMS		(9)	
FUND EQUITY AT JUNE 30	\$	\$ 7,233	\$
<b>GENERAL GOVERNMENT - CENTRAL PRINTING</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 5,047	\$
OTHER REVENUES		5	
TOTAL REVENUES		5,052	
EXPENSES:	5,574	4,988	586
EXCESS OF REVENUES OVER (UNDER) EXPENSES		64	
FUND EQUITY AT JULY 1, AS RESTATED		977	
FUND EQUITY AT JUNE 30	\$	\$ 1,041	\$

	Budget	Actual	Variance
<b>GENERAL GOVERNMENT - PROPERTY MANAGEMENT</b>			
REVENUES:			
LICENSES, FEES, AND PERMITS	\$	\$	\$
CHARGES FOR SERVICES		20,527	
OTHER REVENUES		5	
TRANSFERS IN (INTERFUND)			
TOTAL REVENUES		20,532	
EXPENSES:	22,222	21,297	925
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(765)	
FUND EQUITY AT JULY 1, AS RESTATED		3,320	
FUND EQUITY AT JUNE 30	\$	\$ 2,555	\$
<b>GENERAL GOVERNMENT - RISK MANAGEMENT</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 13,710	\$
INTEREST AND INVESTMENT INCOME		331	
OTHER REVENUES		6,383	
TRANSFERS IN (INTRAFUND)		1,629	
TOTAL REVENUES		22,053	
EXPENSES:			
PERSONNEL CABINET	16,383	16,382	1
PUBLIC PROTECTION CABINET	622	619	3
TOTAL EXPENSES	17,005	17,001	4
EXCESS OF REVENUES OVER (UNDER) EXPENSES		5,052	
FUND EQUITY AT JULY 1		25,255	
NON-BUDGETED ITEMS		(8,012)	
FUND EQUITY AT JUNE 30	\$	\$ 22,295	\$
<b>TOTALS</b>			
REVENUES:			
LICENSES, FEES, AND PERMITS	\$	\$	\$
CHARGES FOR SERVICES		132,945	
INTEREST AND OTHER INVESTMENT INCOME		332	
OTHER REVENUES		7,895	
TRANSFERS IN (INTERFUND)		254	
TRANSFERS IN (INTRAFUND)		1,629	
TOTAL REVENUES		143,055	
EXPENSES:			
TRANSPORTATION	23,947	20,018	3,929
GENERAL GOVERNMENT	106,218	100,190	6,028
JUSTICE	13,383	13,382	1
PUBLIC PROTECTION AND REGULATION	622	619	3
TOTAL EXPENSES	144,170	134,209	9,961
EXCESS OF REVENUES OVER (UNDER) EXPENSES		8,846	
FUND EQUITY AT JULY 1, AS RESTATED		84,283	
NON-BUDGETED ITEMS		(9,988)	
FUND EQUITY AT JUNE 30	\$	\$ 83,141	\$

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## TRUST AND AGENCY FUNDS

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Kentucky utilizes four types of **Trust and Agency Funds** to account for assets held as trustee or agent for individuals, private organizations, or other governments as follows:

**Expendable Trust Funds** account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes. Kentucky uses the following Expendable Trust Funds:

***Unemployment Compensation Fund*** - accounts for assessed employer contributions and related unemployment compensation payments.

***Special Benefits Fund*** - accounts for other fiduciary monies to be expended only for designated operations.

**Pension Trust Funds** account for monies received for and expenses incurred by the various public employee retirement systems administered by the State. Kentucky uses the following Pension Trust Funds:

***Kentucky Employees Retirement System Fund*** - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time employees of any State department, board or agency directed by Executive Order to participate in the System.

***State Police Retirement System Fund*** - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time officers of the Kentucky State Police.

***County Employees Retirement System Fund*** - accounts for revenues and expenses of the retirement system that covers substantially all regular full-time employees of each county, local school board, and additional local agencies electing to participate in the System.

***Kentucky Retirement System Insurance Fund*** - accounts for accident and health insurance benefits for members of the Kentucky Employees, State Police and County Employees Retirement Systems.

***Teachers' Retirement System Fund*** - accounts for revenues and expenses of the retirement system which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education and the professional staff members of the Department of Education.

***Judicial Retirement System Fund*** - accounts for revenues and expenses of the retirement system that covers all District Judges, Circuit Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

***Legislators' Retirement System Fund*** - accounts for revenues and expenses of the retirement system that covers all members of the General Assembly.

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**Agency Funds** account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following Agency Funds:

***Commonwealth Choice*** - accounts for flexible benefits spending accounts.

***County Sinking Fund*** - accounts for monies generated through the sale of bonds for specific uses by the counties.

***Special Deposit Trust Fund*** - accounts for monies held by the Commonwealth and earmarked for specific purposes such as employee withholdings.

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**ALL TRUST AND AGENCY FUNDS**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	<b>Expendable Trust Funds</b>	
	<b>Unemployment Compensation</b>	<b>Special Benefits</b>
<b><u>ASSETS</u></b>		
CASH AND CASH EQUIVALENTS	\$ 859	\$ 128,164 \$
CASH WITH FISCAL AGENTS		
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT	643,637	
INVESTMENTS, NET OF AMORTIZATION	4,546	702,326
RECEIVABLES, NET	59,998	14,354
INTERFUND RECEIVABLES	1	17,197
PREPAID EXPENSES		
BUILDINGS		
TOTAL ASSETS	<u>\$ 709,041</u>	<u>\$ 862,041 \$</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
LIABILITIES:		
ACCOUNTS PAYABLE	\$ 99,500	\$ 12,124 \$
INTERFUND PAYABLES		702
AMOUNTS HELD IN CUSTODY FOR OTHERS		
DEFERRED REVENUE	43,695	13,719
OTHER LIABILITIES		
TOTAL LIABILITIES	<u>143,195</u>	<u>26,545</u>
FUND EQUITY		
FUND BALANCE:		
RESERVED FOR:		
EMPLOYEE RETIREMENT SYSTEMS		
RETIREE'S HEALTH INSURANCE		
UNRESERVED:		
UNDESIGNATED	<u>565,846</u>	<u>835,496</u>
TOTAL FUND EQUITY	<u>565,846</u>	<u>835,496</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 709,041</u>	<u>\$ 862,041 \$</u>



Pension Trust	Agency Funds			Totals June 30, 2001
	Commonwealth Choice Program	County Sinking Fund	Special Deposit Trust	
3,080,284	\$ 17,813	\$ 283	\$ 97,651	\$ 3,306,958
				18,096
				643,637
25,107,410			130,625	25,944,907
256,741			7,278	338,371
				17,198
197				197
4,041				4,041
<u>28,448,673</u>	<u>\$ 17,813</u>	<u>\$ 283</u>	<u>\$ 235,554</u>	<u>\$ 30,273,405</u>
40,586	\$	\$	\$ 8,937	\$ 161,147
			3,781	4,483
	17,813	283	222,836	240,932
				57,414
<u>2,630,039</u>				<u>2,630,039</u>
<u>2,670,625</u>	<u>17,813</u>	<u>283</u>	<u>235,554</u>	<u>3,094,015</u>
24,596,131				24,596,131
1,181,917				1,181,917
				1,401,342
<u>25,778,048</u>				<u>27,179,390</u>
<u>28,448,673</u>	<u>\$ 17,813</u>	<u>\$ 283</u>	<u>\$ 235,554</u>	<u>\$ 30,273,405</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	Kentucky Employees Retirement System				
	Non-Hazardous Duty		Hazardous Duty		
	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	
<b><u>ASSETS</u></b>					
CASH AND SHORT-TERM INVESTMENTS					
CASH	\$ 11,356	\$ 6,955	\$ 5,339	\$ 1,356	\$
SHORT-TERM INVESTMENTS	797,007	64,427	52,255	21,935	
TOTAL CASH AND SHORT-TERM INVESTMENTS	\$ 808,363	\$ 71,382	\$ 57,594	\$ 23,291	\$
RECEIVABLES					
INVESTMENTS - ACCOUNTS RECEIVABLE	\$ 314	\$ 27	\$ 28	\$ 10	\$
INTEREST RECEIVABLE	27,459	989	1,475	255	
ACCOUNTS RECEIVABLE	26,344	6,083	1,675	1,128	
TOTAL RECEIVABLES	\$ 54,117	\$ 7,099	\$ 3,178	\$ 1,393	\$
INVESTMENTS AT FAIR VALUE					
CORPORATE AND GOVERNMENT BONDS	\$ 1,399,392	\$ 38,850	\$ 72,139	\$ 10,260	\$
COMMON STOCKS	2,714,016	276,317	140,120	72,392	
MORTGAGES	256,644	2,642	12,089	265	
REAL ESTATE	256,984		20,700		
TOTAL INVESTMENTS AT FAIR VALUE	\$ 4,627,036	\$ 317,809	\$ 245,048	\$ 82,917	\$
INVESTED SECURITY COLLATERAL	824,647	36,567	45,784	9,974	
FIXED ASSETS, NET					
PREPAID EXPENSES					
TOTAL ASSETS	\$ 6,314,163	\$ 432,857	\$ 351,604	\$ 117,575	\$
<b><u>LIABILITIES</u></b>					
INVESTMENT - ACCOUNTS PAYABLE	\$	\$	\$	\$	\$
ACCOUNTS PAYABLE	4,952	36	276	9	
OBLIGATIONS UNDER SECURITIES LENDING	824,647	36,567	45,784	9,974	
TOTAL LIABILITIES	829,599	36,603	46,060	9,983	
NET ASSETS HELD FOR:					
EMPLOYEE RETIREMENT BENEFITS	5,484,564		305,544		
RETIREE'S HEALTH INSURANCE	\$	\$ 396,254	\$	\$ 107,592	\$

State Police Retirement System		County Employees Retirement System				
Pension Benefits	Healthcare Benefits	Non-Hazardous Duty		Hazardous Duty		
		Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	
1,095	\$ 834	\$ 11,405	\$ 6,709	\$ 4,070	\$ 3,300	CASH AND
45,064	11,770	739,534	58,219	199,808	31,695	CASH
46,159	\$ 12,604	\$ 750,939	\$ 64,928	\$ 203,878	\$ 34,995	SHORT
						TO
11	\$ 5	\$ 368	\$ 26	\$ 99	\$ 14	RECEIVAE
1,826	178	21,639	810	5,889	427	INVEST
1,236	689	26,970	7,240	9,656	3,291	INTERI
3,073	\$ 872	\$ 48,977	\$ 8,076	\$ 15,644	\$ 3,732	ACCOI
						TO
93,577	\$ 7,019	\$ 1,081,551	\$ 31,686	\$ 293,187	\$ 16,696	INVESTME
186,588	48,890	2,116,660	224,402	585,237	117,104	CORPC
17,062	547	189,332	2,017	50,538	1,124	COMM
18,893		216,190		64,547		MORTC
316,120	\$ 56,456	\$ 3,603,733	\$ 258,105	\$ 993,509	\$ 134,924	REAL E
						TO
54,976	6,487	660,601	30,348	181,723	15,964	INVEST
						FIXED
420,328	\$ 76,419	\$ 5,064,250	\$ 361,457	\$ 1,394,754	\$ 189,615	PREPA
						TO
	\$	\$	\$	\$	\$	INVEST
760	6	6,302	42	1,876	15	ACCOI
54,976	6,487	660,601	30,348	181,723	15,964	OBLIG
55,736	6,493	666,903	30,390	183,599	15,979	TO
364,592	\$ 69,926	\$ 4,397,347	\$ 331,067	\$ 1,211,155	\$ 173,636	NET ASSE
						EMPLC
						RETIR

**ONWEALTH OF KENTUCKY**  
**FINANCIAL STATEMENT OF PLAN NET ASSETS**  
**IN TRUST FUNDS**  
**AS OF JUNE 30, 2001**  
 (Amounts are expressed in Thousands)

	Teachers' Retirement System		Judicial Retirement System	Legislators' Retirement System	Totals June 30, 2001
	Pension Benefits	Healthcare Benefits	Pension Benefits	Pension Benefits	
<b>ASSETS</b>					
CASH AND SHORT-TERM INVESTMENTS	\$ 4,387	\$	\$ 3	\$ 32	\$ 56,841
LONG-TERM INVESTMENTS	893,761	100,439	6,471	1,058	3,023,443
TOTAL CASH AND SHORT-TERM INVESTMENTS	\$ 898,148	\$ 100,439	\$ 6,474	\$ 1,090	\$ 3,080,284
RECEIVABLES					
INVESTMENTS - ACCOUNTS RECEIVABLE	\$ 82,356	\$	\$	\$	\$ 83,258
INVESTMENT RECEIVABLE			1,851	463	63,261
INVESTMENTS RECEIVABLE	16,224	9,634	52		110,222
TOTAL RECEIVABLES	\$ 98,580	\$ 9,634	\$ 1,903	\$ 463	\$ 256,741
INVESTMENTS AT FAIR VALUE					
GOVERNMENT AND GOVERNMENT BONDS	\$ 4,380,115	\$	\$ 85,651	\$ 21,464	\$ 7,531,587
EQUITY STOCKS	6,613,084		162,473	42,355	13,299,638
FIXED INCOME	233,301				765,561
REAL ESTATE	303,271				880,585
TOTAL INVESTMENTS AT FAIR VALUE	\$ 11,529,771	\$	\$ 248,124	\$ 63,819	\$ 22,477,371
OTHER ASSETS					
SECURITIES COLLATERAL	762,968				2,630,039
OTHER ASSETS, NET	4,041				4,041
EXPENSES	197				197
TOTAL ASSETS	\$ 13,293,705	\$ 110,073	\$ 256,501	\$ 65,372	\$ 28,448,673
<b>LIABILITIES</b>					
INVESTMENT - ACCOUNTS PAYABLE	\$ 17,922	\$	\$	\$	\$ 17,922
INVESTMENTS PAYABLE	1,759	6,631			22,664
INVESTMENTS UNDER SECURITIES LENDING	762,968				2,630,039
TOTAL LIABILITIES	782,649	6,631			2,670,625
NET ASSETS HELD FOR:					
GOVERNMENT RETIREMENT BENEFITS	12,511,056		256,501	65,372	24,596,131
GOVERNMENT'S HEALTH INSURANCE	\$	\$ 103,442	\$	\$	\$ 1,181,917

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Unemployment Compensation	Special Benefits	Totals June 30, 2001
REVENUES:			
TAXES	\$ 235,924	\$ 67	\$ 235,991
INTERGOVERNMENTAL	18,320		18,320
CHARGES FOR SERVICES		66,622	66,622
INTEREST AND OTHER INVESTMENT INCOME	44,607	(19,634)	24,973
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS	7	5,750	5,757
OTHER REVENUES	10,472	17,674	28,146
TOTAL REVENUES	309,330	70,479	379,809
EXPENDITURES:			
GENERAL GOVERNMENT		224,760	224,760
COMMERCE		21	21
EDUCATION AND HUMANITIES	402,650	34,662	437,312
HUMAN RESOURCES		14,270	14,270
JUSTICE		314	314
TRANSPORTATION		43,191	43,191
TOTAL EXPENDITURES	402,650	317,218	719,868
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,320)	(246,739)	(340,059)
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS IN	47	378,068	378,115
OPERATING TRANSFERS OUT	(11,377)	(19,537)	(30,914)
TOTAL OTHER FINANCING SOURCES (USES)	(11,330)	358,531	347,201
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(104,650)	111,792	7,142
FUND BALANCES AT JULY 1, AS RESTATED	670,496	723,704	1,394,200
FUND BALANCES AT JUNE 30	\$ 565,846	\$ 835,496	\$ 1,401,342

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Kentucky Employees Retirement System				
	Non-Hazardous Duty		Hazardous Duty		
	Pension	Healthcare	Pension	Healthcare	
	Benefits	Benefits	Benefits	Benefits	
<b>ADDITIONS</b>					
CONTRIBUTIONS					
EMPLOYER	\$ 23,482	\$ 66,875	\$ 10,627	\$ 13,226	\$
EMPLOYEE	106,648		10,577		
TOTAL CONTRIBUTIONS	130,130	66,875	21,204	13,226	
INVESTMENT INCOME					
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	(549,461)	(27,776)	(19,340)	(6,011)	
INTEREST	134,627	8,790	8,237	2,364	
DIVIDENDS	51,229	2,424	2,722	632	
REAL ESTATE OPERATING INCOME, NET	2,209		42		
SECURITIES LENDING INCOME	37,814	3,535	5,115	1,587	
TOTAL INVESTMENT INCOME	(323,582)	(13,027)	(3,224)	(1,428)	
LESS: INVESTMENT EXPENSE	2,141	36	109	9	
LESS: SECURITIES LENDING EXPENSE	34,926	3,230	4,725	1,448	
NET INVESTMENT INCOME	(360,649)	(16,293)	(8,058)	(2,885)	
TOTAL ADDITIONS	(230,519)	50,582	13,146	10,341	
<b>DEDUCTIONS</b>					
BENEFIT PAYMENTS	291,704	37,301	7,996	1,984	
REFUNDS	6,968		1,253		
ADMINISTRATIVE EXPENSES	3,826	308	302	25	
OTHER DEDUCTIONS, NET	(125)		(29)		
TOTAL DEDUCTIONS	302,373	37,609	9,522	2,009	
NET INCREASE (DECREASE)	(532,892)	12,973	3,624	8,332	
<b>NET ASSETS HELD IN TRUST</b>					
BEGINNING OF YEAR	6,017,456	383,281	301,920	99,260	
ADJUSTMENTS TO NET ASSETS					
END OF YEAR	\$ 5,484,564	\$ 396,254	\$ 305,544	\$ 107,592	\$

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State Police Retirement System		County Employees Retirement System				
Pension Benefits	Healthcare Benefits	Non-Hazardous Duty		Hazardous Duty		
Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	
1,516	\$ 8,113	\$ 48,914	\$ 62,292	\$ 20,983	\$ 32,149	ADDITION
4,138		101,597		27,279		CONTRIBI
5,654	8,113	150,511	62,292	48,262	32,149	EMPLC
						EMPLC
						TO
						INVESTME
(41,837)	(6,107)	(395,343)	(20,291)	(101,236)	(11,688)	NET AI
8,168	1,590	110,690	7,100	30,260	3,948	INTERI
3,663	440	40,273	1,963	11,170	1,000	DIVIDE
181		1,197		335		REAL I
1,556	636	48,707	3,106	13,683	2,231	SECUF
(28,269)	(3,441)	(194,476)	(8,122)	(45,788)	(4,509)	TO
150	7	1,646	29	462	15	LESS:
1,437	580	44,986	2,836	12,637	2,037	LESS:
(29,856)	(4,028)	(241,108)	(10,987)	(58,887)	(6,561)	NE
(24,202)	4,085	(90,597)	51,305	(10,625)	25,588	
						DEDUCTI
22,644	3,547	170,256	27,539	56,520	11,531	BENEF
80		8,994		1,318		REFU
64	28	6,174	244	512	109	ADMIN
(51)		(214)		(194)		OTHEF
22,737	3,575	185,210	27,783	58,156	11,640	TO
(46,939)	510	(275,807)	23,522	(68,781)	13,948	NET IN
						NET ASSE
411,531	69,416	4,673,154	307,545	1,279,936	159,688	BEGIN
364,592	\$ 69,926	\$ 4,397,347	\$ 331,067	\$ 1,211,155	\$ 173,636	END O

**ONWEALTH OF KENTUCKY**  
**NING STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**IN TRUST FUNDS**  
**HE YEAR ENDED JUNE 30, 2001**  
 sed in Thousands)

	Teachers' Retirement System		Judicial Retirement System	Legislators' Retirement System	Totals
	Pension Benefits	Healthcare Benefits	Pension Benefits	Pension Benefits	June 30, 2001
<b>AS</b>					
UTIONS					
OYER	\$ 280,109	\$ 92,429	\$ 4,197	\$ 824	\$ 665,736
OYEE	208,703	40,018	1,229	208	500,397
ITAL CONTRIBUTIONS	488,812	132,447	5,426	1,032	1,166,133
ENT INCOME					
PPRECIATION IN FAIR VALUE OF INVESTMENTS	(549,288)		(6,737)	(1,570)	(1,736,685)
EST	336,072	5,286	7,536	1,841	666,509
ENDS	87,699				203,215
ESTATE OPERATING INCOME, NET	24,388				28,352
RITIES LENDING INCOME	28,886				146,856
ITAL INVESTMENT INCOME	(72,243)	5,286	799	271	(691,753)
INVESTMENT EXPENSE	4,339		235	21	9,199
SECURITIES LENDING EXPENSE	28,284				137,126
IT INVESTMENT INCOME	(104,866)	5,286	564	250	(838,078)
<b>TOTAL ADDITIONS</b>	383,946	137,733	5,990	1,282	328,055
<b>IONS</b>					
FIT PAYMENTS	674,042	84,934	8,139	2,085	1,400,222
NDS	10,674	5	4	48	29,344
ISTRATIVE EXPENSES	5,950	3,222	166	132	21,062
R DEDUCTIONS, NET					(613)
<b>ITAL DEDUCTIONS</b>	690,666	88,161	8,309	2,265	1,450,015
<b>CREASE (DECREASE)</b>	(306,720)	49,572	(2,319)	(983)	(1,121,960)
<b>ETS HELD IN TRUST</b>					
NING OF YEAR	12,817,776	53,870	258,820	66,355	26,900,008
OF YEAR	<u>\$ 12,511,056</u>	<u>\$ 103,442</u>	<u>\$ 256,501</u>	<u>\$ 65,372</u>	<u>\$ 25,778,048</u>



**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
<b><u>COMMONWEALTH CHOICE PROGRAM</u></b>				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$ 13,196	\$ 20,488	\$ 15,871	\$ 17,813
TOTAL ASSETS	<u>\$ 13,196</u>	<u>\$ 20,488</u>	<u>\$ 15,871</u>	<u>\$ 17,813</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 13,196	\$ 20,488	\$ 15,871	\$ 17,813
TOTAL LIABILITIES	<u>\$ 13,196</u>	<u>\$ 20,488</u>	<u>\$ 15,871</u>	<u>\$ 17,813</u>
<b><u>COUNTY SINKING FUND</u></b>				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$ 283			\$ 283
TOTAL ASSETS	<u>\$ 283</u>	<u></u>	<u></u>	<u>\$ 283</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 283			\$ 283
TOTAL LIABILITIES	<u>\$ 283</u>	<u></u>	<u></u>	<u>\$ 283</u>
<b><u>SPECIAL DEPOSIT TRUST FUND</u></b>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 159,722	\$ 619,092	\$ 681,163	\$ 97,651
INVESTMENTS	105,221	130,625	105,221	130,625
ACCOUNTS RECEIVABLE	3,281	7,278	3,281	7,278
INTERFUND RECEIVABLES	2,851		2,851	
TOTAL ASSETS	<u>\$ 271,075</u>	<u>\$ 756,995</u>	<u>\$ 792,516</u>	<u>\$ 235,554</u>
<u>LIABILITIES</u>				
INTERFUND PAYABLES	\$ 5,256	\$ 3,781	\$ 5,256	\$ 3,781
ACCOUNTS PAYABLE	48	8,937	48	8,937
AMOUNTS HELD IN CUSTODY FOR OTHERS	265,771	638,228	681,163	222,836
TOTAL LIABILITIES	<u>\$ 271,075</u>	<u>\$ 650,946</u>	<u>\$ 686,467</u>	<u>\$ 235,554</u>
<b><u>ALL AGENCY FUNDS</u></b>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 159,722	\$ 619,092	\$ 681,163	\$ 97,651
CASH WITH FISCAL AGENTS	13,479	20,488	15,871	18,096
INVESTMENTS	105,221	130,625	105,221	130,625
ACCOUNTS RECEIVABLE	3,281	7,278	3,281	7,278
INTERFUND RECEIVABLES	2,851		2,851	
TOTAL ASSETS	<u>\$ 284,554</u>	<u>\$ 777,483</u>	<u>\$ 808,387</u>	<u>\$ 253,650</u>
<u>LIABILITIES</u>				
INTERFUND PAYABLES	5,256	3,781	5,256	3,781
ACCOUNTS PAYABLE	48	8,937	48	8,937
AMOUNTS HELD IN CUSTODY FOR OTHERS	279,250	658,716	697,034	240,932
TOTAL LIABILITIES	<u>\$ 284,554</u>	<u>\$ 671,434</u>	<u>\$ 702,338</u>	<u>\$ 253,650</u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Unemployment Compensation		
	Budget	Actual	Variance
REVENUES:			
INTERGOVERNMENTAL	\$	\$ 18,320	\$
CONTRIBUTIONS		235,864	
INTEREST AND OTHER INVESTMENT INCOME		44,608	
OTHER REVENUES		5,981	
TRANSFERS IN		47	
TOTAL REVENUES		304,820	
EXPENDITURES:			
WORKFORCE DEVELOPMENT			
DEPARTMENT FOR EMPLOYMENT SERVICES -			
UNEMPLOYMENT INSURANCE BENEFITS	389,099	368,256	20,843
TOTAL WORKFORCE DEVELOPMENT	389,099	368,256	20,843
TOTAL EXPENDITURES	389,099	368,256	20,843
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		(63,436)	
FUND BALANCE AT JULY 1		720,083	
NON-BUDGETED ITEMS		(7,612)	
FUND BALANCE AT JUNE 30	\$	\$ 649,035	\$

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## GENERAL FIXED ASSETS ACCOUNT GROUP

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The **General Fixed Assets Account Group** accounts for the Commonwealth's fixed assets, except those related to the proprietary funds, trust funds, and discretely presented component units.

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE**  
**JUNE 30, 2001**  
(Expressed In Thousands)

	<u>June 30, 2001</u>
GENERAL FIXED ASSETS:	
LAND	\$ 85,535
BUILDINGS	516,856
MACHINERY AND EQUIPMENT	328,073
CONSTRUCTION IN PROGRESS	<u>191,545</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,122,009</u>
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
GENERAL FUND REVENUES	\$ 111,177
SPECIAL REVENUE FUNDS REVENUE	268,626
DONATIONS	67,132
OTHER	2,872
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	36,412
REVENUE BONDS	304,687
FEDERAL GRANTS	60,763
OTHER	11,398
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984 (A)	191,891
FIXED ASSETS ACQUIRED AFTER JULY 1, 1984 (A)	<u>67,051</u>
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u>\$ 1,122,009</u>

(A) FIXED ASSETS WITH AN UNDETERMINED FUNDING SOURCE.

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY**  
**JUNE 30, 2001**  
(Expressed in Thousands)

<b>FUNCTION AND ACTIVITY</b>	<b>Land</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Totals June 30, 2001</b>
GENERAL GOVERNMENT:				
CABINET FOR GENERAL GOVERNMENT	\$ 11,221	\$ 100,453	\$ 13,259	\$ 124,933
REVENUE CABINET			4,446	4,446
FINANCE & ADMINISTRATION (A) (B)	722		7,866	8,588
PERSONNEL CABINET			1,825	1,825
TOTAL GENERAL GOVERNMENT	11,943	100,453	27,396	139,792
LEGISLATIVE & JUDICIAL	55		11,955	12,010
COMMERCE:				
ECONOMIC DEVELOPMENT CABINET	13,294	20,207	279	33,780
TOURISM CABINET	32,458	7,341	16,567	56,366
TOTAL COMMERCE	45,752	27,548	16,846	90,146
EDUCATION & HUMANITIES:				
EDUCATION & HUMANITIES CABINET	377	25,517	9,687	35,581
WORKFORCE DEVELOPMENT CABINET	1,023	14,746	18,545	34,314
TOTAL EDUCATION & HUMANITIES	1,400	40,263	28,232	69,895
HUMAN RESOURCES	2,958	84,122	14,215	101,295
JUSTICE	4,652	193,981	73,532	272,165
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION (A)	12,835	831	30,379	44,045
PUBLIC PROTECTION & REGULATION:				
PUBLIC PROTECTION & REGULATION CABINET			3,873	3,873
LABOR CABINET			2,448	2,448
TOTAL PUBLIC PROTECTION & REGULATION			6,321	6,321
TRANSPORTATION	5,940	69,658	119,197	194,795
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS	85,535	516,856	328,073	930,464
CONSTRUCTION IN PROGRESS		191,545		191,545
TOTAL GENERAL FIXED ASSETS	\$ 85,535	\$ 708,401	\$ 328,073	\$ 1,122,009

(A) FIXED ASSETS TOTALING \$171,(000) WERE PREVIOUSLY REPORTED WITHIN THE NATURAL RESOURCES & ENVIRONMENTAL PROTECTION FUNCTION. THESE ASSETS ARE NOW REPORTED UNDER THE FINANCE AND ADMINISTRATION FUNCTION.

(B) FIXED ASSETS TOTALING \$194,178,(000) WERE PREVIOUSLY INCLUDED IN ERROR. THE ASSETS BY TYPE WERE: BUILDINGS \$187,252,(000), LAND \$6,915,(000) CONSTRUCTION IN PROGRESS OF \$11,(000).

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Balance June 30, 2000	Additions	Retirements	Balance June 30, 2001
GENERAL GOVERNMENT:				
CABINET FOR GENERAL GOVERNMENT	\$ 118,233	\$ 8,488	\$ 1,788	\$ 124,933
REVENUE CABINET	3,897	1,462	913	4,446
FINANCE & ADMINISTRATION (A) (B)	2,938	7,311	1,661	8,588
PERSONNEL CABINET	1,532	293		1,825
TOTAL GENERAL GOVERNMENT	126,600	17,554	4,362	139,792
LEGISLATIVE & JUDICIAL	10,766	1,776	532	12,010
COMMERCE:				
ECONOMIC DEVELOPMENT CABINET	35,376	9	1,605	33,780
TOURISM CABINET	51,078	6,502	1,214	56,366
TOTAL COMMERCE	86,454	6,511	2,819	90,146
EDUCATION & HUMANITIES:				
EDUCATION & HUMANITIES CABINET	35,147	1,024	590	35,581
WORKFORCE DEVELOPMENT CABINET	31,421	6,630	3,737	34,314
TOTAL EDUCATION & HUMANITIES	66,568	7,654	4,327	69,895
HUMAN RESOURCES	96,253	10,215	5,173	101,295
JUSTICE	256,278	23,765	7,878	272,165
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION (A)	39,705	9,310	4,970	44,045
PUBLIC PROTECTION & REGULATION:				
PUBLIC PROTECTION & REGULATION CABINET	3,348	807	282	3,873
LABOR CABINET	2,586	170	308	2,448
TOTAL PUBLIC PROTECTION & REGULATION	5,934	977	590	6,321
TRANSPORTATION	190,855	7,001	3,061	194,795
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS	879,413	84,763	33,712	930,464
CONSTRUCTION IN PROGRESS	179,554	56,792	44,801	191,545
TOTAL GENERAL FIXED ASSETS	\$ 1,058,967	\$ 141,555	\$ 78,513	\$ 1,122,009

(A) FIXED ASSETS TOTALING \$171,(000) WERE PREVIOUSLY REPORTED WITHIN THE NATURAL RESOURCES & ENVIRONMENTAL PROTECTION FUNCTION. THESE ASSETS ARE NOW REPORTED UNDER THE FINANCE AND ADMINISTRATION FUNCTION.

(B) FIXED ASSETS TOTALING \$194,178,(000) WERE PREVIOUSLY INCLUDED IN ERROR. THE ASSETS BY TYPE WERE: BUILDINGS \$187,252,(000), LAND \$6,915,(000) CONSTRUCTION IN PROGRESS OF \$11,(000).



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## COMPONENT UNITS

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Component Units Funds account for the financial activities of the Commonwealth of Kentucky's component units, which have been determined to be legally separate from the State's primary government and for which the primary government is financially accountable. The Component Units are presented in three separate categories: Governmental Funds, Proprietary Funds and University and College Funds.

### **Governmental Funds**

***Bluegrass State Skills Corporation*** - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

***Kentucky School Facilities Construction Commission*** - established to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs.

### **Proprietary Funds**

#### **Enterprise Funds**

***Kentucky State Fair Board*** - accounts for revenues earned and expenses incurred in the commercial operations of the State Fair Board.

***Kentucky Center for the Arts*** - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

***Kentucky Educational Television Authority*** - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

***Kentucky Economic Development Finance Authority*** - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth.

***Kentucky Higher Education Assistance Authority*** - established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

***Kentucky Higher Education Student Loan Corporation*** - empowered by KRS Chapter 164A to finance state and federally insured loans to students attending eligible postsecondary institutions, through direct loans to students and the purchase of student notes from lenders.



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***Kentucky Educational Savings Plan Trust*** - established by KRS 164A.310 to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

***Kentucky Housing Corporation*** - authorized under KRS Chapter 198A in 1972 to increase the supply of housing for persons of lower income by making and participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonable equivalent terms and conditions.

***Kentucky Infrastructure Authority*** - established in 1988 by KRS 224A.030, as amended, to assume all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

***Kentucky Agricultural Finance Corporation*** - created by the 1984 General Assembly to "improve and promote the health, welfare and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

***Kentucky Grain Insurance Corporation***- provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

***Kentucky Local Correctional Facilities Construction Authority*** - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

The **University and College Funds** account for all transactions relating to the eight State supported universities and the community colleges and technical schools. These institutions maintain their own financial records and are not a part of the central accounting system operated by the Finance and Administration Cabinet. The following component units are included:

Eastern Kentucky University  
Kentucky State University  
Morehead State University  
Murray State University  
Northern Kentucky University  
University of Kentucky  
University of Louisville  
Western Kentucky University  
Kentucky Community Technical College System



**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**COMPONENT UNITS**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	Governmental Fund Types	Proprietary Fund Types	University and College Funds	Totals June 30, 2001
<b><u>ASSETS</u></b>				
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS	\$ 4,296	\$ 521,774	\$ 714,204	\$ 1,240,274
RESTRICTED CASH		83,503		83,503
RECEIVABLES, NET	242	62,593	330,572	393,407
DUE FROM COMPONENT UNITS			109,314	109,314
INTEREST RECEIVABLE		25,561		25,561
INVENTORIES		515	22,613	23,128
PREPAID EXPENSES		1,635		1,635
OTHER ASSETS		4,613	340,839	345,452
TOTAL CURRENT ASSETS	4,538	700,194	1,517,542	2,222,274
OTHER ASSETS:				
LONG-TERM INVESTMENTS	22,463	292,509	915,792	1,230,764
LONG-TERM RECEIVABLES		2,035,544		2,035,544
AMOUNT TO BE PROVIDED	629,365			629,365
DEFERRED CHARGES		28,928		28,928
RESTRICTED ASSETS		11,324		11,324
TOTAL OTHER ASSETS	651,828	2,368,305	915,792	3,935,925
FIXED ASSETS:				
LAND		15,219	100,072	115,291
IMPROVEMENTS OTHER THAN BUILDINGS			84,909	84,909
BUILDINGS		280,658	2,302,402	2,583,060
MACHINERY AND EQUIPMENT	24	165,591	807,326	972,941
LESS ACCUMULATED DEPRECIATION		(251,860)		(251,860)
CONSTRUCTION IN PROGRESS		12,345	263,901	276,246
TOTAL FIXED ASSETS, NET	24	221,953	3,558,610	3,780,587
TOTAL ASSETS	\$ 656,390	\$ 3,290,452	\$ 5,991,944	\$ 9,938,786
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
LIABILITIES:				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE	\$ 2,725	\$ 70,702	\$ 108,380	\$ 181,807
ACCRUED LIABILITIES			93,612	93,612
DUE TO COMPONENT UNITS			109,314	109,314
DUE TO PRIMARY GOVERNMENT		22		22
CAPITAL LEASE OBLIGATIONS		285		285
NOTES PAYABLE		33,967		33,967
BONDS PAYABLE	629,365	77,306		706,671
COMPENSATED ABSENCES		2,818		2,818
DEFERRED REVENUE		6,159	56,600	62,759
AMOUNT HELD IN CUSTODY FOR OTHERS			3,214	3,214
DEPOSITS AND ADVANCE PAYMENTS			6,375	6,375
OTHER LIABILITIES		44,567	78,650	123,217
TOTAL CURRENT LIABILITIES	632,090	235,826	456,145	1,324,061
LONG-TERM LIABILITIES:				
CAPITAL LEASE OBLIGATIONS		8,540	86,751	95,291
NOTES PAYABLE			14,648	14,648
BONDS PAYABLE		1,969,667	627,259	2,596,926
COMPENSATED ABSENCES		1,306		1,306
OTHER LONG-TERM LIABILITIES	387	639		1,026
TOTAL LONG-TERM LIABILITIES	387	1,980,152	728,658	2,709,197
TOTAL LIABILITIES	632,477	2,215,978	1,184,803	4,033,258
FUND EQUITY AND OTHER CREDITS:				
CONTRIBUTED CAPITAL		141,161		141,161
INVESTMENT IN FIXED ASSETS	24		3,077,839	3,077,863
RETAINED EARNINGS:				
RESERVED FOR:				
REVENUE BOND RETIREMENT		368,974		368,974
UNRESERVED		564,339		564,339
FUND BALANCE:				
RESERVED FOR:				
ENCUMBRANCES			15,119	15,119
CAPITAL OUTLAY			383,861	383,861
RESTRICTED GIFTS, GRANTS, AND CONTRACTS			1,046,212	1,046,212
UNRESERVED:				
DESIGNATED FOR UNIVERSITIES AND COLLEGES			284,110	284,110
UNDESIGNATED	23,889			23,889
TOTAL FUND EQUITY	23,913	1,074,474	4,807,141	5,905,528
TOTAL LIABILITIES AND FUND EQUITY	\$ 656,390	\$ 3,290,452	\$ 5,991,944	\$ 9,938,786

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**COMPONENT UNITS - GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	Bluegrass State Skills Corporation	Kentucky School Facilities Construction Commission	Totals June 30, 2001
<b><u>ASSETS</u></b>			
CURRENT ASSETS:			
CASH AND CASH EQUIVALENTS	\$	\$	\$
RECEIVABLES, NET	242	4,296	4,296
TOTAL CURRENT ASSETS	242	4,296	4,538
OTHER ASSETS:			
LONG-TERM INVESTMENTS		22,463	22,463
AMOUNT TO BE PROVIDED		629,365	629,365
TOTAL OTHER ASSETS		651,828	651,828
FIXED ASSETS:			
MACHINERY AND EQUIPMENT	24		24
TOTAL FIXED ASSETS, NET	24		24
TOTAL ASSETS	<u>\$ 266</u>	<u>\$ 656,124</u>	<u>\$ 656,390</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
LIABILITIES:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE	\$ 242	\$ 2,483	\$ 2,725
BONDS PAYABLE		629,365	629,365
TOTAL CURRENT LIABILITIES	242	631,848	632,090
LONG-TERM LIABILITIES:			
OTHER LONG-TERM LIABILITIES	387		387
TOTAL LONG-TERM LIABILITIES	387		387
TOTAL LIABILITIES	629	631,848	632,477
FUND EQUITY:			
CONTRIBUTED CAPITAL			
INVESTMENT IN FIXED ASSETS	24		24
FUND BALANCE			
UNRESERVED	(387)	24,276	23,889
TOTAL FUND EQUITY	(363)	24,276	23,913
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 266</u>	<u>\$ 656,124</u>	<u>\$ 656,390</u>

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**COMPONENT UNITS - GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Bluegrass State Skills Corporation	Kentucky School Facilities Construction Commission	Totals June 30, 2001
REVENUES:			
INTEREST AND OTHER INVESTMENT INCOME	\$	\$ 2,440	\$ 2,440
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS		5	5
OTHER REVENUE		1,674	1,674
TOTAL REVENUES		4,119	4,119
EXPENDITURES:			
PERSONAL SERVICES	541	234	775
UTILITIES, RENTALS, AND OTHER SERVICES	70		70
GRANTS AND SUBSIDIES	4,559	68,089	72,648
DEBT SERVICE PRINCIPAL RETIREMENT		41,082	41,082
DEBT SERVICE INTEREST AND FISCAL CHARGES		29,730	29,730
TRAVEL	10		10
TOTAL EXPENDITURES	5,180	139,135	144,315
EXCESS OF REVENUES OVER EXPENDITURES	(5,180)	(135,016)	(140,196)
OTHER FINANCING SOURCES (USES):			
TRANSFERS FROM PRIMARY GOVERNMENT	5,038	105,357	110,395
TRANSFERS TO PRIMARY GOVERNMENT		(53,118)	(53,118)
PROCEEDS FROM REVENUE BONDS		68,089	68,089
TOTAL OTHER FINANCING SOURCES (USES)	5,038	120,328	125,366
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(142)	(14,688)	(14,830)
FUND BALANCE AT JULY 1	(245)	38,964	38,719
FUND BALANCE AT JUNE 30	\$ (387)	\$ 24,276	\$ 23,889

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**COMPONENT UNITS - PROPRIETARY FUND TYPES**  
**JUNE 30, 2001**  
(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
<b><u>ASSETS</u></b>					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 6,342	\$ 2,028	\$ 527	\$ 47,848	\$ 40,049
RESTRICTED CASH					
RECEIVABLES, NET	1,733	219	1,312	45	8,423
INTEREST RECEIVABLE		3	20	1,509	1,864
INVENTORIES		13	502		
PREPAID EXPENSES	439	371	568		
OTHER ASSETS			4,409		204
TOTAL CURRENT ASSETS	8,514	2,634	7,338	49,402	50,540
OTHER ASSETS:					
LONG-TERM INVESTMENTS	2,055	3,207	2,026	38,779	18,389
LONG-TERM RECEIVABLES	489			44,595	10,162
DEFERRED CHARGES			319		
RESTRICTED ASSETS					10,078
TOTAL OTHER ASSETS	2,544	3,207	2,345	83,374	38,629
FIXED ASSETS:					
LAND	14,072	129	76		
BUILDINGS	233,007	31,571	11,671		
MACHINERY AND EQUIPMENT	5,137	9,964	33,408	102,140	5,399
LESS: ACCUMULATED DEPRECIATION	(86,872)	(21,779)	(29,780)	(102,140)	(4,021)
CONSTRUCTION IN PROGRESS	9,036		1,433		1,876
TOTAL FIXED ASSETS, NET	174,380	19,885	16,808		3,254
TOTAL ASSETS	\$ 185,438	\$ 25,726	\$ 26,491	\$ 132,776	\$ 92,423
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
LIABILITIES:					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE	\$ 1,039	\$ 444	\$ 2,788	\$ 15	\$ 6,664
DUE TO PRIMARY GOVERNMENT	22				
CAPITAL LEASE OBLIGATIONS					285
NOTES PAYABLE					
BONDS PAYABLE					
COMPENSATED ABSENCES	830	135	1,640		
DEFERRED REVENUE	3,154	1,226	560		
OTHER LIABILITIES					3,383
TOTAL CURRENT LIABILITIES	5,045	1,805	4,988	15	10,332
LONG-TERM LIABILITIES:					
CAPITAL LEASE OBLIGATIONS					8,540
BONDS PAYABLE					
COMPENSATED ABSENCES					1,306
OTHER LONG-TERM LIABILITIES					639
TOTAL LONG-TERM LIABILITIES					10,485
TOTAL LIABILITIES	5,045	1,805	4,988	15	20,817
FUND EQUITY:					
CONTRIBUTED CAPITAL	126,823	14,338			
RETAINED EARNINGS:					
RESERVED FOR:					
REVENUE BOND RETIREMENT	53,570				55,271
UNRESERVED		9,583	21,503	132,761	16,335
TOTAL FUND EQUITY	180,393	23,921	21,503	132,761	71,606
TOTAL LIABILITIES AND FUND EQUITY	\$ 185,438	\$ 25,726	\$ 26,491	\$ 132,776	\$ 92,423

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 2001
88,490	\$ 87	\$ 203,770	\$ 116,586	\$ 81	\$ 553	\$ 15,413	\$ 521,774
		81,198				2,305	83,503
638		29,787	19,625			811	62,593
18,636	45		3,284			200	25,561
							515
194		63					1,635
							4,613
107,958	132	314,818	139,495	81	553	18,729	700,194
51,439	14,787	130,579	27,889	432	2,927		292,509
634,544		1,014,731	324,796			6,227	2,035,544
9,738		16,592	1,752			527	28,928
						1,246	11,324
695,721	14,787	1,161,902	354,437	432	2,927	8,000	2,368,305
		942					15,219
		4409					280,658
3,716		5,743	84				165,591
(2,501)		(4,750)	(17)				(251,860)
							12,345
1,215		6,344	67				221,953
804,894	\$ 14,919	\$ 1,483,064	\$ 493,999	\$ 513	\$ 3,480	\$ 26,729	\$ 3,290,452
27,395	\$ 171	\$ 31,821	\$	\$	\$ 35	\$ 330	\$ 70,702
							22
							285
32,600		1,367					33,967
36,965		27,080	11,519			1,742	77,306
213							2,818
		1,219					6,159
		39,084	2,100				44,567
97,173	171	100,571	13,619		35	2,072	235,826
638,770		1,144,054	154,411			32,432	8,540
							1,969,667
							1,306
							639
638,770		1,144,054	154,411			32,432	1,980,152
735,943	171	1,244,625	168,030		35	34,504	2,215,978
							141,161
54,896		205,237					368,974
14,055	14,748	33,202	325,969	513	3,445	(7,775)	564,339
68,951	14,748	238,439	325,969	513	3,445	(7,775)	1,074,474
804,894	\$ 14,919	\$ 1,483,064	\$ 493,999	\$ 513	\$ 3,480	\$ 26,729	\$ 3,290,452

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**COMPONENT UNITS - PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 29,546	\$ 2,534	\$ 691	\$ 911	\$ 3,321
INTEREST AND OTHER INVESTMENT INCOME				1,443	1,259
INCREASE(DECREASE) IN FAIR VALUE OF INVESTMENTS					
OTHER REVENUES	3,083		1,405	18	17,959
TOTAL OPERATING REVENUES	32,629	2,534	2,096	2,372	22,539
OPERATING EXPENSES:					
PERSONAL SERVICES	13,778	4,825	11,393	1,016	9,868
UTILITIES, RENTALS, AND OTHER SERVICES	15,421	1,564		448	2,515
COMMODITIES AND SUPPLIES	1,149	252			604
GRANTS AND SUBSIDIES		80		1,229	71,570
DEPRECIATION AND AMORTIZATION	6,368	2,356	2,515		659
INTEREST		85			
TRAVEL		183	602	27	216
OTHER EXPENSES			11,999	85	5,643
TOTAL OPERATING EXPENSES	36,716	9,345	26,509	2,805	91,075
OPERATING INCOME (LOSS)	(4,087)	(6,811)	(24,413)	(433)	(68,536)
NONOPERATING REVENUES (EXPENSES):					
INTERGOVERNMENTAL REVENUES		2,128		204	
GRANTS AND DONATIONS		876	5,139		
MEMBERSHIP REVENUE		280			
KENTUCKY CENTER FOR THE ARTS ENDOWMENT		735			
GAIN (LOSS) ON SALE OF FIXED ASSETS		(309)	1		
INTEREST AND OTHER INVESTMENT INCOME(LOSS)	176	61	1,360	5,750	
OTHER REVENUE (EXPENSES)	621	12	(439)	8	(1,000)
TOTAL NONOPERATING REVENUE (EXPENSES)	797	3,783	6,061	5,962	(1,000)
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM	(3,290)	(3,028)	(18,352)	5,529	(69,536)
TRANSFERS FROM PRIMARY GOVERNMENT	(263)	774	16,548		71,844
TRANSFERS TO PRIMARY GOVERNMENT					(926)
TRANSFERS TO COMPONENT UNITS					
NET INCOME (LOSS)	(3,553)	(2,254)	(1,804)	5,529	1,382
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	5,670	1,702			
INCREASE (DECREASE) IN RETAINED EARNINGS	2,117	(552)	(1,804)	5,529	1,382
RETAINED EARNINGS AT JULY 1, AS RESTATED	51,453	10,135	23,307	127,232	70,224
RETAINED EARNINGS AT JUNE 30	\$ 53,570	\$ 9,583	\$ 21,503	\$ 132,761	\$ 71,606



Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 2001
1,227	\$	\$	\$	\$	\$	\$	\$
62,098	1	12,942 88,260	11,933 8,942		263	5,008 507	68,376 162,510
					1		1
1,916	730		2,528			96	27,735
65,241	731	101,202	23,403		264	5,611	258,622
		10,786	1,541				53,207
		3,333					23,281
		418					2,423
		2,019	11,570			1,522	87,990
1,828		2,626	268			63	16,683
37,325		63,752	10,315			1,843	113,320
		344					1,372
19,555	1,353	3,711			2,346	31	44,723
58,708	1,353	86,989	23,694		2,346	3,459	342,999
6,533	(622)	14,213	(291)		(2,082)	2,152	(84,377)
							2,332
			15,332				21,347
							280
							735
							(308)
						801	8,148
	4,122	(643)	84				2,765
	4,122	(643)	15,416			801	35,299
6,533	3,500	13,570	15,125		(2,082)	2,953	(49,078)
			11,712				100,615
(3,000)							(926)
3,533	3,500	13,570	26,837		(2,082)	2,953	(3,000)
							47,611
							7,372
3,533	3,500	13,570	26,837		(2,082)	2,953	54,983
65,418	11,248	224,869	299,132	513	5,527	(10,728)	878,330
68,951	\$ 14,748	\$ 238,439	\$ 325,969	\$ 513	\$ 3,445	\$ (7,775)	\$ 933,313

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**COMPONENT UNITS - PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2001**

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center For The Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 33,417	\$ 2,545	\$ 2,444	\$ 2,265
COLLECTION OF PROGRAM LOANS				9,380
PROGRAM LOANS ISSUED				(8,141)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(18,548)	(3,223)	(11,047)	(571)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(11,915)	(3,774)	(11,563)	(1,016)
CASH PAYMENTS FROM OTHER SOURCES				
CASH PAYMENTS TO OTHER SOURCES			584	(1,229)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,954	(4,452)	(19,582)	688
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
PROCEEDS FROM BOND ISSUANCE				
PRINCIPAL PAYMENT ON DEBT				
DEBT RELATED EXPENSES				
SUBSIDIES	621	4,308	21,667	
OPERATING TRANSFERS-IN FROM OTHER FUNDS	407	774		204
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(300)			
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	728	5,082	21,667	204
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(693)	(2,011)	(4,715)	
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(371)			
INCREASE IN RESTRICTED ASSET - CONSTRUCTION ACCOUNT	(2,098)			
CONTRIBUTED CAPITAL	13			
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,149)	(2,011)	(4,715)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
PURCHASE OF INVESTMENT SECURITIES		(1,532)	(881)	(260,287)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES		3,900	2,218	271,979
INTEREST AND DIVIDENDS ON INVESTMENTS	177	60	48	5,122
NET CASH USED IN INVESTING ACTIVITIES	177	2,428	1,385	16,814
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	710	1,047	(1,245)	17,706
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,632	981	1,772	30,142
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,342	\$ 2,028	\$ 527	\$ 47,848
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
OPERATING INCOME (LOSS)	\$ (4,087)	\$ (6,811)	\$ (24,413)	\$ (433)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
PROVISION FOR UNCOLLECTIBLE ACCOUNTS				
DEPRECIATION AND AMORTIZATION	6,368	2,356	2,515	
AMORTIZATION OF PREMIUMS				
INTEREST AND OTHER INVESTMENT INCOME			67	
INTEREST EXPENSE				
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)			691	
CHANGE IN ASSETS AND LIABILITIES:				
(INCREASE) DECREASE IN ASSETS				
RECEIVABLES, NET	396	43	(370)	1,131
FAIR VALUE OF INVESTMENTS				
INVENTORIES		12	6	
PREPAID EXPENSES	124	(148)	184	
OTHER ASSETS			(173)	
INCREASE (DECREASE) IN LIABILITIES				
ACCOUNTS PAYABLE	(238)	118	1,541	(10)
COMPENSATED ABSENCES		11	98	
OTHER LIABILITIES				
DEFERRED REVENUE	391	(33)	272	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,954	\$ (4,452)	\$ (19,582)	\$ 688

THROUGH CONTRIBUTED CAPITAL THE STATE FAIR BOARD ACQUIRED FIXED ASSETS COSTING \$4,164(000).

Kentucky Higher Education Assistance Authority	Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 2001
\$ 11,589	\$ 14,588	\$	\$ 13,845	\$ 609	\$	\$ 264	\$ 5,065	\$ 86,631
	114,810		189,344	17,972			822	332,328
	(171,043)		(175,787)	(39,210)				(394,181)
(98,236)	(10,478)		(10,777)	(3,394)			(30)	(156,304)
(9,959)	(4,669)		(11,130)					(54,026)
17,959	2,999							20,958
	(14,686)	(576)		(9,718)		(2,346)	(1,522)	(29,493)
(78,647)	(68,479)	(576)	5,495	(33,741)		(2,082)	4,335	(194,087)
	32,600		188,700					221,300
	(25,825)		(128,333)	(11,715)				(165,873)
	(37,837)		(64,333)	(10,480)			(1,856)	(114,506)
			2,679	26,352				55,627
71,844		5,284						78,513
(926)	(3,000)	(1,149)						(5,375)
70,918	(34,062)	4,135	(1,287)	4,157			(1,856)	69,686
(2,920)	(405)		(1,318)					(12,062)
							(1,690)	(2,061)
								(2,098)
								13
(2,920)	(405)		(1,318)				(1,690)	(16,208)
8,145	(333,188)	(8,297)	(761,384)	(52,187)				(1,409,611)
596	414,480	3,482	701,355	83,512	27	2,048	396	1,483,993
969	10,777	1,277	18,989	19,419			820	57,658
9,710	92,069	(3,538)	(41,040)	50,744	27	2,048	1,216	132,040
(939)	(10,877)	21	(38,150)	21,160	27	(34)	2,005	(8,569)
40,988	99,367	66	241,920	95,426	54	587	15,713	532,648
\$ 40,049	\$ 88,490	\$ 87	\$ 203,770	\$ 116,586	\$ 81	\$ 553	\$ 17,718	\$ 524,079
\$ (68,536)	\$ 6,533	\$ (622)	\$ 14,213	\$ (291)	\$	\$ (2,082)	\$ 2,152	\$ (84,377)
	537		448					985
659	1,828		2,626	268			63	16,683
							(96)	(96)
	(10,466)		(17,878)	(19,884)				(48,161)
	37,325		63,752	10,314			1,856	113,247
	(94,440)		(643)	(382)				(94,774)
(11,979)	(15,818)		(52,894)	(21,238)			373	(100,356)
			(5,061)	(2,528)				(7,589)
			37					18
(1,728)	(4)							193
								(1,901)
(607)	6,049		367				(13)	7,207
125	(23)							211
3,419		46	847					4,312
			(319)					311
(78,647)	(68,479)	(576)	5,495	(33,741)		(2,082)	4,335	(194,087)



**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED COMPONENT UNIT**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>COMMERCE-STATE FAIR BOARD</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 31,321	\$
OTHER REVENUES		37	
TRANSFERS IN (INTERFUND)		51	
TRANSFERS IN (INTRAFUND)		371	
TOTAL REVENUES		<u>31,780</u>	
EXPENSES	<u>28,334</u>	<u>27,628</u>	<u>706</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES		4,152	
FUND EQUITY AT JULY 1		133,448	
NON-BUDGETED ITEMS		(3,042)	
FUND EQUITY AT JUNE 30	<u>\$</u>	<u>\$ 134,558</u>	<u>\$</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS**  
**JUNE 30, 2001**  
**(Expressed in Thousands)**

	University of Kentucky	University of Louisville	Eastern Kentucky University
<b><u>ASSETS</u></b>			
CASH AND CASH EQUIVALENTS	\$ 338,878	\$ 67,849	\$ 52,035
INVESTMENTS, NET OF AMORTIZATION	619,762	109,037	38,619
RECEIVABLES, NET:			
STATE AGENCIES			6,500
OTHERS	183,744	67,492	11,344
INTERFUND RECEIVABLES	99,891	1,600	
INVENTORIES	12,216	1,590	524
LAND	26,410	37,052	4,995
IMPROVEMENTS OTHER THAN BUILDINGS	41,236	2,731	9,833
BUILDINGS	800,295	493,695	152,889
MACHINERY AND EQUIPMENT	413,516	118,523	56,408
LIBRARY BOOKS	92,519	77,964	29,422
LIVESTOCK			320
CONSTRUCTION IN PROGRESS	82,184		28,465
OTHER ASSETS	4,518	10,481	2,109
TOTAL ASSETS	<u>\$ 2,715,169</u>	<u>\$ 988,014</u>	<u>\$ 393,463</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
LIABILITIES:			
ACCOUNTS PAYABLE:			
STATE AGENCIES	\$	\$	\$ 175
OTHERS	40,542	42,128	4,212
ACCRUED LIABILITIES	51,906		4,185
INTERFUND PAYABLES	99,891	1,600	
CAPITAL LEASE OBLIGATIONS	45,773	2,092	19,600
NOTES PAYABLE	1,500	7,650	
BONDS PAYABLE	229,827	141,699	47,375
AMOUNTS HELD IN CUSTODY FOR OTHERS	832		534
DEPOSITS AND ADVANCE PAYMENTS	3,009	2,024	506
DEFERRED REVENUE	17,452	22,988	2,808
OTHER LIABILITIES	70,539	2,001	11
TOTAL LIABILITIES	<u>561,271</u>	<u>222,182</u>	<u>79,406</u>
FUND EQUITY:			
INVESTMENT IN FIXED ASSETS	1,238,011	586,730	188,465
FUND BALANCE:			
RESERVED FOR:			
ENCUMBRANCES	1,470	9,041	2,428
CAPITAL OUTLAY	43,703	21,056	70,983
RESTRICTED GIFTS, GRANTS, AND CONTRACTS	706,299	84,489	52,169
UNRESERVED:			
DESIGNATED FOR UNIVERSITIES AND COLLEGES	164,415	64,516	12
TOTAL FUND EQUITY	<u>2,153,898</u>	<u>765,832</u>	<u>314,057</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,715,169</u>	<u>\$ 988,014</u>	<u>\$ 393,463</u>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Community Technical College System	Totals June 30, 2001
11,515	\$ 16,900	\$ 32,799	\$ 27,948	\$ 16,989	\$ 149,291	\$ 714,204
62,038	27,190	4,499	19,517	7,562	27,568	915,792
1,870	804	564	667			10,405
11,109	6,087	8,448	4,522	4,633	22,788	320,167
283	2,932	3,559	434		615	109,314
1,322	1,994	1,620	265	735	2,347	22,613
2,614	8,508	4,998	3,165	1,255	11,075	100,072
7,784		12,024	4,741	496	6,064	84,909
110,836	120,307	128,456	123,990	89,773	282,161	2,302,402
41,958	31,150	34,343	21,122	14,546	75,760	807,326
25,466	13,351	21,743	21,682	6,767		288,914
	3	6				329
12,207	13,783	32,129	24,610	8,683	61,840	263,901
6,428	66	25,479	2,502	11	2	51,596
295,430	\$ 243,075	\$ 310,667	\$ 255,165	\$ 151,450	\$ 639,511	\$ 5,991,944
1,487	\$	\$ 19	\$ 21	\$	\$	\$ 1,702
2,888	623	6,246	3,220	1,036	5,783	106,678
3,127	4,667	4,243	6,595	2,187	16,702	93,612
283	2,932	3,559	434		615	109,314
2,021	2,578	2,192	12,495			86,751
2,520		1,840	1,138			14,648
23,065	27,280	22,137	45,035	15,536	75,305	627,259
870	761	54	632	(469)		3,214
		305	214	317		6,375
4,602	828	1,286	4,327	(63)	2,372	56,600
440			2,039	517	3,103	78,650
41,303	39,669	41,881	76,150	19,061	103,880	1,184,803
165,722	157,310	220,207	115,400	97,245	308,749	3,077,839
1,237		661	282			15,119
37,187	17,334		47,531		146,067	383,861
24,391	27,044	47,918	14,602	30,532	58,768	1,046,212
25,590	1,718		1,200	4,612	22,047	284,110
254,127	203,406	268,786	179,015	132,389	535,631	4,807,141
295,430	\$ 243,075	\$ 310,667	\$ 255,165	\$ 151,450	\$ 639,511	\$ 5,991,944

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES**  
**COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE CURRENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES:			
TUITION AND FEES	\$ 123,966	\$ 78,705	\$ 36,647
FEDERAL GRANTS AND CONTRACTS	15,062	41,351	40,149
STATE/LOCAL GRANTS AND CONTRACTS	13,661	10,856	14,820
PRIVATE GIFTS, GRANTS AND CONTRACTS	69,850	13,007	1,143
ENDOWMENT INCOME	11,067		
SALES AND SERVICES OF EDUCATION ACTIVITIES	57,685	695	4,193
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	348,267	33,887	8,637
OTHER REVENUES	40,577	115,636	5,433
TOTAL CURRENT REVENUES	680,135	294,137	111,022
EXPENDITURES AND TRANSFERS:			
EDUCATIONAL AND GENERAL:			
INSTRUCTION	219,880	119,953	58,592
RESEARCH	61,100	70,958	770
PUBLIC SERVICE	123,946	75,080	29,682
ACADEMIC SUPPORT	40,632	22,177	24,665
LIBRARIES	21,776	13,529	4,031
STUDENT SERVICES	21,155	10,232	9,756
INSTITUTIONAL SUPPORT	43,687	35,423	11,461
STUDENT FINANCIAL AID	46,493	26,924	19,919
MAINTENANCE AND OPERATION	33,638	21,322	14,150
OTHER EXPENDITURES	585	789	
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	612,892	396,387	173,026
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	14,682	14,131	3,270
CURRENT FUND - UNRESTRICTED			
CURRENT FUND - RESTRICTED			
LOAN FUND	99	49	10
UNEXPENDED PLANT FUND	1,478		
NON-MANDATORY TRANSFERS FOR:			
CURRENT FUND - UNRESTRICTED	(20,129)	(2,551)	
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED			
CURRENT FUND - RESTRICTED	(5,601)		
ENDOWMENT AND SIMILAR FUNDS		88	
UNEXPENDED PLANT FUND	17,662	4,043	
RENEWAL AND REPLACEMENT	4,154		61
RETIREMENT OF INDEBTEDNESS		7,138	
TOTAL EDUCATIONAL AND GENERAL	625,237	419,285	176,367
AUXILIARY ENTERPRISES AND HOSPITALS:			
EXPENDITURES	305,429	57,669	7,070
MANDATORY TRANSFERS FOR:			
PRINCIPAL AND INTEREST	5,247	1,367	776
RETIREMENT OF INDEBTEDNESS			
NON-MANDATORY TRANSFERS:			
CURRENT FUND - UNRESTRICTED	2,106		
CURRENT FUND - RESTRICTED			
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED			
UNEXPENDED PLANT FUND	156		267
RENEWAL AND REPLACEMENT	56,499		
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	369,437	59,036	8,113
TOTAL EXPENDITURES AND TRANSFERS	994,674	478,321	184,480
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):			
TRANSFERS FROM PRIMARY GOVERNMENT	307,830	173,377	67,392
TRANSFERS TO PRIMARY GOVERNMENT	2,859		1,582
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE			(200)
INDIRECT COST RECOVERED		8,162	
REFUNDS TO GRANTORS			(166)



Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Community Technical College System	Totals June 30, 2001
40,835	\$ 23,513	\$ 30,351	\$ 42,332	\$ 7,652	\$ 53,241	\$ 437,242
25,344	27,768	9,859	6,397	4	41,406	207,340
9,132	4,752	5,396	4,306	14,563	52,730	130,216
1,772	696	3,855	1,160		6,805	98,288
		481			262	11,810
5,495	1,405	2,885	927		4,756	78,041
12,682	10,762	15,764	3,840	3,939	12,458	450,236
5,378	3,169	4,182	4,398	895	436	180,104
100,638	72,065	72,773	63,360	27,053	172,094	1,593,277
56,376	29,447	41,814	37,188	10,681	125,158	699,089
4,392	338	2,144	247	3,281		143,230
15,094	6,377	4,682	3,464	3,576	25,693	287,594
6,482	4,842	4,525	7,112	3,889	17,925	132,249
5,019	2,450	2,701	4,183		3,359	57,048
13,253	6,660	8,902	7,307	4,439	25,160	106,864
14,994	9,015	10,063	11,591	9,396	47,725	193,355
19,947	30,019	15,521	12,732	5,227	55,228	232,010
12,682	5,034	10,003	7,671	3,987	22,005	130,492
	19,368			287		21,029
148,239	113,550	100,355	91,495	44,763	322,253	2,002,960
4,249	2,802	1,164	5,199	1,994	10,264	57,755
	(314)	(153)				(153)
19	318	5	21		1,000	(314)
						1,521
						1,478
						(22,680)
		(790)			(815)	(7,206)
		296				384
435	5,085		543		6,444	34,212
	76	1,044				5,335
		443				7,581
152,942	121,517	102,364	97,258	46,757	339,146	2,080,873
11,669	7,899	14,309	2,325	3,724	12,340	422,434
388	2,986	1,014	325	656		12,759
			1,208			1,208
						2,106
(84)						(84)
		150				150
		767	113		226	1,529
					43	56,542
11,973	10,885	16,240	3,971	4,380	12,609	496,644
164,915	132,402	118,604	101,229	51,137	351,755	2,577,517
64,328	40,326	47,714	39,821	21,865	170,101	932,754
	22,376				11,744	38,561
117			101		6,933	6,951
1,275		476	205			10,118
(175)		(42)	(15)	2,446		2,048

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN FUND BALANCE**  
**COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2001**  
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES AND OTHER ADDITIONS:			
EDUCATIONAL AND GENERAL REVENUES	\$ 271,228	\$ 180,467	\$ 49,464
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	348,267	33,556	8,453
INDIRECT COST RECOVERED		8,162	
RESTRICTED GRANTS AND CONTRACTS	228,199	65,214	53,627
RESTRICTED GIFTS AND GRANTS	52,552	8,333	7,570
ENDOWMENT INCOME	10,200		
INTEREST AND OTHER INVESTMENT INCOME	(4,872)	7,603	1,916
EXPENDED FOR PLANT FACILITIES	138,856	48,122	4,668
RETIREMENT OF INDEBTEDNESS	17,171		5,900
OTHER REVENUES AND ADDITIONS	130,616	13,498	14,981
TOTAL REVENUES AND OTHER ADDITIONS	1,192,217	364,955	146,579
EXPENDITURES AND OTHER DEDUCTIONS:			
EDUCATIONAL AND GENERAL EXPENDITURES	612,892	396,387	173,026
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	305,429	57,338	7,070
REFUNDS TO GRANTORS	240		166
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	106		80
LOAN CANCELLATIONS	327	219	219
PAYMENT TO BENEFICIARIES			1,129
EXPENDED FOR PLANT FACILITIES	136,401	31,490	152
RETIREMENT OF INDEBTEDNESS	16,595	11,605	8,155
INTEREST PAYMENTS	12,230	7,840	3,495
DISPOSAL OF PLANT FACILITIES	26,264	11,904	3,701
NOTES ISSUED			
OTHER EXPENDITURES	250,608	1,522	8,404
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,361,092	518,305	205,597
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):			
NON-MANDATORY TRANSFERS FOR:			
TRANSFERS FROM PRIMARY GOVERNMENT	359,622	213,517	90,459
TRANSFERS TO PRIMARY GOVERNMENT			
TOTAL TRANSFERS AMONG FUNDS	359,622	213,517	90,459
INCREASE (DECREASE) IN FUND BALANCE	190,747	60,167	31,441
FUND BALANCE AT JULY 1, AS RESTATED	1,963,151	705,665	282,616
FUND BALANCE AT JUNE 30	\$ 2,153,898	\$ 765,832	\$ 314,057

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Kentucky Community Technical College System	Totals June 30, 2001
\$ 50,294	\$ 27,658	\$ 37,418	\$ 45,405	\$ 7,653	\$ 72,927	\$ 742,514
12,782	10,762	15,764	3,840	3,939	12,458	449,821
1,275	441	476	205			10,559
34,388	38,036	22,175	11,962	14,567	89,225	557,393
1,469		4,210	1,163		4,583	79,880
		481			262	10,943
3,042	544	1,211	2,924	643	2,178	15,189
14,065	17,834	28,325	7,721		10,617	270,208
3,111	7,569	2,586	5,055		7,200	48,592
3,112	16,727	3,381	2,899	18,415	6,526	210,155
123,538	119,571	116,027	81,174	45,217	205,976	2,395,254
148,339	94,182	100,355	91,495	46,998	322,253	1,985,927
11,569	7,899	14,309	2,325	3,723	12,340	422,002
175		42	15			638
282	83	59	63	643		1,316
299	106	112	23	32		1,337
						1,129
11,079	11,240	18,450	3,691		136	212,639
3,111	7,569	2,586	4,636		7,200	61,457
1,526	1,898	1,156	3,027		4,004	35,176
113	55	10,552	3,283		2,870	58,742
	1,285	2,530	260			4,075
1,004	19,841	557	2,945	1,756	14,056	300,693
177,497	144,158	150,708	111,763	53,152	362,859	3,085,131
96,575	62,702	67,148	71,612	21,865	290,565	1,274,065
(10)					(6)	(16)
96,565	62,702	67,148	71,612	21,865	290,559	1,274,049
42,606	38,115	32,467	41,023	13,930	133,676	584,172
211,521	165,291	236,319	137,992	118,459	401,955	4,222,969
\$ 254,127	\$ 203,406	\$ 268,786	\$ 179,015	\$ 132,389	\$ 535,631	\$ 4,807,141

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## STATISTICAL SECTION

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The **Statistical Section** gives report users a better historical perspective of financial information that may assist in assessing current financial status and trends of the Commonwealth. In addition, certain demographic and economic data have been presented that will allow a broader understanding of the economic and social environment in which State Government operates.

**COMMONWEALTH OF KENTUCKY**  
**REVENUES BY SOURCE**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN FISCAL YEARS**  
(Expressed in Thousands)

<u>SOURCE</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Taxes:										
Sales & Gross Receipts	\$ 2,259,989	\$ 2,442,419	\$ 2,539,066	\$ 2,739,653	\$ 2,873,176	\$ 3,018,770	\$ 3,167,442	\$ 3,255,990	\$ 3,546,343	\$ 3,609,499
Individual Income	1,629,678	1,676,263	1,870,096	1,964,960	2,080,418	2,201,574	2,390,823	2,538,948	2,701,349	2,768,302
Corporation Income	271,022	254,797	269,048	340,913	289,508	291,536	338,354	312,579	307,939	288,418
Property	339,590	353,711	370,200	386,389	409,175	440,973	405,528	424,471	440,438	457,216
License & Privilege	111,315	117,471	114,052	137,578	130,778	145,178	162,122	170,480	139,922	146,422
Severance	185,020	180,704	181,340	177,826	185,019	185,744	187,126	173,094	169,154	177,774
Inheritance & Estate	77,241	71,040	76,173	79,531	82,673	93,962	105,550	79,168	76,751	83,267
Miscellaneous	116,692	125,636	120,036	117,077	104,819	109,451	114,903	120,765	3,390	3,203
Total Taxes	<u>4,990,547</u>	<u>5,222,041</u>	<u>5,540,011</u>	<u>5,943,927</u>	<u>6,155,566</u>	<u>6,487,188</u>	<u>6,871,848</u>	<u>7,075,495</u>	<u>7,385,286</u>	<u>7,534,101</u>
Intergovernmental Revenue	2,520,376	2,687,598	2,657,925	3,307,139	3,394,888	3,625,241	3,809,686	3,825,985	4,602,881	4,208,631
Charges for Services	140,798	147,617	192,659	222,309	277,165	262,366	289,555	298,952	359,782	426,173
Licenses, Fees & Permits	138,877	161,510	134,161	160,975	163,331	164,557	170,454	188,304	203,608	200,239
Fines & Forfeitures	39,229	39,972	38,563	40,720	40,485	48,538	47,265	53,024	49,986	54,297
Interest & Investments *	112,519	107,210	90,931	112,124	148,908	155,878	191,986	140,328	163,893	232,100
Other Income	80,241	123,951	93,683	133,506	133,524	193,206	218,883	185,881	230,325	616,361
Total Non-Tax Income	<u>3,032,040</u>	<u>3,267,858</u>	<u>3,207,922</u>	<u>3,976,773</u>	<u>4,158,301</u>	<u>4,449,786</u>	<u>4,727,829</u>	<u>4,692,474</u>	<u>5,610,475</u>	<u>5,737,801</u>
Total Revenues	<u>\$ 8,022,587</u>	<u>\$ 8,489,899</u>	<u>\$ 8,747,933</u>	<u>\$ 9,920,700</u>	<u>\$ 10,313,867</u>	<u>\$ 10,936,974</u>	<u>\$ 11,599,677</u>	<u>\$ 11,767,969</u>	<u>\$ 12,995,761</u>	<u>\$ 13,271,902</u>

NOTE: \* 1999 and 2000 amounts adjusted in accordance with GASB 31.

**COMMONWEALTH OF KENTUCKY**  
**EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE LAST TEN FISCAL YEARS**  
(Expressed in Thousands)

<u>FUNCTIONS</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Government	\$ 236,096	\$ 444,901	\$ 452,593	\$ 418,256	\$ 494,599	\$ 593,500	\$ 652,980	\$ 556,913	\$ 541,008	\$ 672,605
Legislative & Judicial	119,345	120,036	128,575	132,421	147,563	150,604	165,645	186,168	212,978	216,608
Commerce	41,512	37,279	37,656	42,430	42,704	44,408	45,953	49,927	52,941	51,283
Education & Humanities	2,511,764	2,578,179	2,663,797	2,835,220	2,962,449	3,076,843	3,187,712	3,250,456	3,351,422	3,442,741
Human Resources	2,916,988	3,129,059	3,077,162	3,818,430	3,819,907	4,208,762	4,253,354	4,368,927	5,109,752	5,110,365
Justice	101,291	229,972	232,221	255,424	282,999	340,100	402,149	451,532	511,106	553,499
Natural Resources and										
Environmental Protection	56,919	83,481	105,920	110,509	96,094	103,356	112,923	120,938	125,724	127,048
Corrections	158,260	0	0	0	0	0	0	0	0	0
Public Protection and										
Regulation	73,888	83,322	79,816	86,411	94,124	105,763	115,479	130,245	131,350	124,725
Transportation	976,826	874,160	843,456	980,083	1,061,589	1,092,563	1,135,102	1,356,322	1,502,356	1,588,052
Capital Outlay	201,665	149,910	79,707	82,040	79,245	99,702	135,106	266,165	225,409	309,011
Debt Service	413,450	284,323	357,122	416,756	392,130	332,127	438,029	357,698	302,708	410,058
Total Expenditures	<u>\$ 7,808,004</u>	<u>\$ 8,014,622</u>	<u>\$ 8,058,025</u>	<u>\$ 9,177,980</u>	<u>\$ 9,473,403</u>	<u>\$ 10,147,728</u>	<u>\$ 10,644,432</u>	<u>\$ 11,095,291</u>	<u>\$ 12,066,754</u>	<u>\$ 12,605,995</u>

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report  
NOTE: In 1993 the Corrections Function was incorporated within the Justice Function.

## COMMONWEALTH OF KENTUCKY

### DESCRIPTION OF TAX SOURCES - ALL GOVERNMENTAL FUND TYPES

JUNE 30, 2001

**SALES AND USE** - On July 1, 1960, Kentucky became the thirty-fourth state to enact a sales and use tax. Although the tax was broad based at the time of its inception, the sales and use tax has been significantly eroded over the years with the passage of numerous exemptions. This has been partially offset with rate increases in 1968 (3% to 5%) and 1990 (5% to 6%), and expansion of the tax base in 1985 to cover leases and rentals of tangible personal property. During fiscal year 2001, the sales and use tax continued to be the second largest generator of General Fund revenue for the Commonwealth.

**COAL SEVERANCE** - Kentucky's coal severance tax became effective April 1, 1972, and was intended to replace a major portion of the revenue expected to be lost by the exemption of groceries from the sales tax. It was the first major severance tax among the states. The initial rate of 4% on the gross value of coal mined in Kentucky or thirty cents per ton, whichever is greater, was raised to 4.5% of the gross value of coal mined or fifty cent per ton, whichever is greater, in 1976. In 1978, the statutes were revised to include the taxation of coal processing and added a deduction from the gross value for the cost of transportation. A 1986 amendment provides that coal producing and coal impact counties were to receive a minimum of 10% of coal severance and processing taxes for fiscal year 1986-87 and 12% for subsequent years. The percentage has increased over the years to a level of 30% effective fiscal year 1998-99. The 2000 session of the General Assembly produced legislation that allowed for a tax credit of 2.25% to 3.75% of the gross value of coal produced from thin seams of coal from newly permitted production.

**MOTOR FUELS** - In 1920, Kentucky became the fifth state to adopt a gasoline tax. The initial rate of one cent per gallon reached five cents per gallon by 1926. Effective April 1, 1948, the tax per gallon was raised to seven cents, with two-sevenths of the total set aside for rural and secondary roads. On July 1, 1962, administration of the motor fuels use tax was transferred from the Department of Revenue to the Department of Motor Transportation, and on July 1, 1972, the tax rate increased to nine cents per gallon. Effective July 1, 1980, the rate was changed to 9% of the weighted average wholesale tank wagon price for sale in Kentucky. In no case shall the average wholesale price be deemed to be less than one dollar and eleven cents per gallon, nor more than one dollar and fifty cents per gallon. On July 1, 1986, the tax on gasoline and LP gas was increased five cents per gallon and the tax on special fuels was increased two cents per gallon.

**MOTOR VEHICLE USAGE TAX** - Motor vehicles were originally taxed under the 3 percent gross receipts tax that was repealed in 1936. After repeal, a special 3 percent tax on motor vehicles was enacted. This tax is based on the "retail price" of the motor vehicles as defined by statute. The tax was increased to 5 percent in April 1968, and to 6 percent on July 1, 1990. The tax is paid to the county clerk when a vehicle is first registered in the owner's name. The proceeds derived from the tax are deposited to the Road Fund for use in the construction and maintenance of Kentucky's roads and bridges.

**MOTOR VEHICLE REGISTRATION** - The 1936 General Assembly fixed a flat \$4.50 registration fee (plus fifty cents for the County Clerk) for passenger cars. Similar fees were enacted in 1938 for farm trucks and in 1944 for church buses, water well drillers, and certain wreckers. Truck licenses were changed to a graduated "gross weight" basis in 1964. The current \$11.50 fee for passenger cars, farm trucks, and the lightest trucks was passed in 1968. Effective January 1, 1993 there was an additional \$.50 (fifty cents) added to cover the cost of reflectorizing plates (KRS 186.240(2)(c)). In 1973, all motor vehicle registration functions were transferred from the Department of Revenue to the Department of Transportation. The apportioned registration of commercial vehicles began April 1, 1974. Current rates for heavier trucks range from \$24 (6,001-10,000 lbs.) to \$1,250.50 (73,281-80,000 lbs.) with extended weight tags available for coal haulers.

**INDIVIDUAL INCOME TAX** - The individual income tax became effective for income earned during calendar year 1936 and produced its first revenue during fiscal year 1936-37. The initial rates ranged from 2% on the first \$3,000 of income to 5% on all over \$5,000. In 1950, a rate of 6% was imposed on income in excess of \$8,000. In 1954, Kentucky became the fourth state to implement a withholding system and also adopted the federal definition of net income. Currently, net income is computed using the Internal Revenue Code in effect on December 31, 1999, for tax years beginning after December 31, 1999, modified for Kentucky differences between federal and Kentucky tax laws. Primary differences include the tax treatment of pension income (excludable up to \$37,500 in 2001) and interest on federal obligations. The rates applied to net income which remain unchanged since 1950 are: 2% of the first \$3,000; 3% of the next \$1,000; 4% of the next \$1,000; 5% of the next \$3,000; and 6% of the excess over \$8,000. The personal tax credit of \$20 went into effect in 1961 and a standard deduction of \$650 was adopted in 1976. The 1996 General Assembly increased the standard deduction over a period of four years to \$1,700 for 2000. The standard deduction will be indexed annually based on changes in the CPI-U and is currently set at \$1,750 for 2001.

## COMMONWEALTH OF KENTUCKY

A low income tax credit of 5% to 100% for single persons or married couples with adjusted gross income of \$25,000 or less was enacted in 1990. A child and dependent care credit equal to 20% of the Federal credit is also allowed.

**CORPORATION INCOME TAX** - The corporate income tax was enacted to first apply to calendar year 1936 income. The rate was 4% of net income assigned to Kentucky after deduction of federal income taxes. This rate was changed to 4.5% in 1950 and again to 5% of the first \$25,000 of taxable income and 7% of all in excess thereof in 1956. In 1972, the federal tax deduction was removed and the state rate reduced to 4% of the first \$25,000 and 5.8% on the excess. Tax rates beginning on January 1, 1980, were: first \$25,000 at 3%; next \$25,000 at 4%; next \$50,000 at 5%; and the excess over \$100,000 at 6%. The 1985 Special Session of the General Assembly passed the Kentucky Equity Tax Act (KETA) into law. KETA mandated a State depreciation system separate from the federal system. This new Kentucky system allowed corporate taxpayers to recover the entire cost of property through depreciations compared to recovery of 71% of cost using the Accelerated Cost Recovery System (ACRS) as adjusted for under prior Kentucky Law. KETA also added a new graduated rate of 7.25% of taxable income in excess of \$250,000 of taxable income effective August 1, 1985.

The 1990 General Assembly replaced the Kentucky depreciation system with the depreciation and expense deductions allowed by Sections 168 and 179 of the Internal Revenue Code in effect on December 31, 1989, effective for property placed in service after December 31, 1989. The tax rates beginning on January 1, 1990 are: first \$25,000 at 4%; next \$25,000 at 5%; next \$50,000 at 6%; next \$150,000 at 7%; and all over \$250,000 at 8.25%.

The 1994 General Assembly amended KRS 141.0101 to make Kentucky depreciation rules consistent with federal depreciation rules for all assets, regardless of when placed in service, effective for taxable years, beginning after December 31, 1993. To account for this change in depreciation rules, each taxpayer must determine the amount of any difference in Kentucky adjusted basis and federal adjusted basis (transition amount) as of the first day of the first taxable year beginning after December 31, 1993. The transition amount must be added to or subtracted from gross income in the first taxable year beginning after December 31, 1993, if the amount does not exceed \$100,000 or in equal amounts over 4 years if the amount exceeds \$100,000 or the taxpayer so elects.

The 1996 General Assembly amended KRS 141.120 to prohibit affiliated corporations from filing combined Kentucky income tax returns using the unitary business concept and allows affiliated corporations to elect to file consolidated Kentucky income tax returns, with such election being binding for 96 consecutive calendar months.

Effective for tax years beginning after December 31, 1999, net income is computed using the Internal Revenue Code in effect on December 31, 1999.

**PROPERTY TAX** - Kentucky has levied a property tax since the creation of the state in 1792. Prior to 1934, the property tax was the State's major revenue source. In that year, an attempt to remove the tax on real estate was ruled unconstitutional. The tax rate was then reduced from 30 cents to 5 cents per \$100 assessed value. The 1965 Special Session of the General Assembly further reduced the rate on real estate from five cents to 1.5 cents and on tangible property from 50 cents to 15 cents. House Bill 4, passed in the 1976 regular session of the General Assembly, established the power equalization program for school funding and raised the State tax rate on real property from 1.5 cents to 31.5 cents per \$100 of assessed value and the tax rate on tangible personal property from 15 cents to 45 cents per \$100 of assessed value. This increase in the State property tax rate was accompanied by a 30 cents per \$100 of assessed value decrease in local school tax rates. The tax rate on intangible personal property, which is not subject to local rates, remained at 25 cents per \$100. House Bill 44, enacted by the 1979 extraordinary legislative session, established a new rate setting mechanism which limited the increase in aggregate revenues for all taxing districts in general, and specifically limited the State rate for real estate to no greater than necessary to provide a 4% increase in revenue from year to year. As a result, the State tax rate on real property has dropped 57% from 31.5 cents per \$100 in 1978 to 13.6 cents per \$100 in 2001.

The 1996 General Assembly repealed the bank shares property tax and enacted a bank franchise tax for state tax purposes and a local deposits franchise tax for local tax purposes. A discussion of the bank franchise tax follows.

**INHERITANCE AND ESTATE TAX** - Inheritance Tax is a tax on the right to receive property upon the death of the owner. The tax rates and exemptions are based on the relationship of the beneficiary to the decedent. The Kentucky inheritance tax began in 1906 and taxed all beneficiaries other than nearest relatives. Beneficiaries taxed were given a \$500 exemption. Many changes have been enacted over the years to the inheritance tax, however, the Kentucky estate tax that was enacted in 1936, has not been changed. The Kentucky estate tax is equal to the amount that the state death tax credit allowable under the federal estate tax law exceeds the total inheritance tax paid.

A major change was made in 1985 to the Kentucky inheritance tax when a surviving spouse was given an exemption of the total amount inherited. Effective for dates of death on or after July 1, 1998, the inheritance tax for parents, children (natural, step, or adopted), grandchildren, brothers (half or whole) and sisters (half or whole)

## COMMONWEALTH OF KENTUCKY

was phased out over a four year period. The exemption during the phase-out period was the greater of the exemption permitted under the pre July 1, 1995 law or a percentage of the inheritable interest. The inheritance tax for these beneficiaries was completely phased out for deaths that occurred after June 30, 1998. If the entire estate passes to exempt beneficiaries there may not be any Kentucky inheritance tax due, but there could be Kentucky estate tax due because the estate is large enough to require that a federal estate tax return be filed and a state death tax credit is allowed.

Other beneficiaries such as nieces, nephew, daughters-in-law, sons-in-law, great-grandchildren, cousins and relatives were not affected by the 1995 phase-out of the inheritance tax. All transfers to educational, religious or other institutions whose sole purpose are to carry on charitable, educational, or religious work are exempt from the Kentucky inheritance tax.

**PROVIDER TAX** - House Bill 250, enacted during the 1994 Regular Session of the General Assembly, continued the Kentucky Health Care Provider Tax. The bill, which was effective July 15, 1994, imposed a 2.5% tax on a gross revenues received by all providers of hospital services, a 2% tax on gross revenues received by other providers of specified health care items or services, and a .25 cent tax per outpatient prescription drug dispensed by pharmacies or other persons dispensing outpatient prescription drugs (KRS Chapter 142). The purpose of the Health Care Provider Tax is to help fund Kentucky's \$2 billion Medicaid program. The Medicaid program is a joint federal-state medical assistance program that is operated and administered by the state. Approximately 25% of the funding for the program is provided by the state with remaining 75% being funded by the federal government.

KRS Chapter 142 was amended in 1996 to phase out the health care provider tax on physician services. The tax on physician services has been entirely removed as of July 1, 1999.

KRS Chapter 142 was amended in 1998 to phase out the tax on outpatient prescription drugs. The tax on outpatient prescription drugs will be reduced from 25 cents to 15 cents per prescription for the period July 1, 1999, through June 20, 2000. Effective July 1, 2000, the tax on outpatient prescription drugs expired.

**BANK FRANCHISE TAX** - House Bill 416 as enacted by the 1996 General Assembly created the bank franchise tax. The tax is imposed on any financial institution which obtains or solicits business from 20 or more persons within the Commonwealth or has receipts attributable to sources in the Commonwealth which equal or exceed \$100,000. The bank franchise tax is based on a five year

average of net capital accounts reflected on the quarterly reports of condition filed with applicable federal regulatory institution. The minimum tax is \$300 per year. Because HB 416 is effective for the calendar year 1996, the first tax returns and payments were due on March 15, 1997.

Effective for tax years beginning after December 31, 1997, KRS 136.500 was amended in 1998 to define the term "Kentucky obligations" to mean all obligations of the Commonwealth of Kentucky, its counties, municipalities, taxing districts, exempt from taxation under the Kentucky Revised Statutes and the Kentucky Constitution. The amendment allows as a deduction from capital an amount equal to the same percentage of total capital as the book value of Kentucky obligations bears to the book value of the total assets of the financial institution. Additionally, the quarterly averages of net capital and deductions for United States and Kentucky obligations will be divided by four, without regard to the actual existence of the financial institution.



**COMMONWEALTH OF KENTUCKY**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**FOR CALENDAR YEARS 1991 - 2000**

(Expressed in Thousands, Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Totals		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value	Estimated Value	Assessed Value	Estimated Value	Assessed Value	Estimated Value	
1991	74,626,422	84,802,752	132,552,592	132,552,592	207,179,014	217,355,344	95.3%
1992	78,150,012	87,809,002	140,219,154	140,219,154	218,369,166	228,028,156	95.8%
1993	82,268,682	89,422,480	141,750,516	141,750,516	224,019,198	231,172,996	96.9%
1994	89,570,464	95,287,728	153,225,083	153,225,083	242,795,547	248,512,811	97.7%
1995	94,579,246	100,616,219	161,791,401	161,791,401	256,370,647	262,407,620	97.7%
1996	101,534,494	108,015,419	152,832,983	152,832,983	254,367,477	260,848,402	97.5%
1997	108,116,208	115,017,243	126,697,050	126,697,050	234,813,258	241,714,293	97.1%
1998	115,597,215	122,975,761	135,357,598	135,357,598	250,954,813	258,333,359	97.1%
1999	124,491,269	132,437,520	138,552,878	138,552,878	263,044,147	270,990,398	97.1%
2000	134,620,481	143,213,278	141,748,226	141,748,226	276,368,707	284,961,504	97.0%

SOURCE: Kentucky Revenue Cabinet

NOTE: Assessed values are established through the utilization of an annual ad valorem tax based on the fair value of property.

**COMMONWEALTH OF KENTUCKY**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**FOR FISCAL YEARS 1991 - 2000**

(Expressed in Thousands Except Percentages)

For the Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1991	341,926	313,503	91.7%	9,871	323,374	94.6%
1992	356,238	329,783	92.6%	8,765	338,548	95.0%
1993	374,257	345,089	92.2%	9,669	354,758	94.8%
1994	392,652	357,996	91.2%	12,204	370,200	94.3%
1995	417,799	377,710	90.4%	17,615	395,325	94.6%
1996	424,505	391,977	92.3%	17,200	409,177	96.4%
1997	410,755	399,759	97.3%	15,099	414,858	101.0%
1998	365,014	349,774	95.8%	13,019	362,793	99.4%
1999	377,738	358,478	94.9%	11,927	370,405	98.1%
2000	403,120	371,715	92.2%	15,543	387,258	96.1%

SOURCE: Kentucky Revenue Cabinet

NOTE: Property taxes are assessed as of January 1 of each year in one of two ways: 1) by the 120 Property Valuation Administrators within the State, or 2) by the Revenue Cabinet. The tax rates are set by the various taxing jurisdictions and applied to the particular assessment. Tax bills are delivered by September 15 of each year. Also, the "Total Tax Levy" in this table has been respecified for the years shown to adjust for the fact that the receipts for motor vehicles involve two different assessment years.

**COMMONWEALTH OF KENTUCKY**  
**RATIO OF GENERAL LONG-TERM BONDED DEBT**  
**TO ASSESSED VALUE AND DEBT PER CAPITA**  
**FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio and Per Capita Debt)

For the Year Ended June 30	Estimated Population	Assessed Value	General Long-Term Bonded Debt	General Bonded Debt	
				Ratio to Assessed Value	Per Capita
1992	3,756	\$ 218,369,166	\$ 2,819,240	1.3%	\$ 751
1993	3,792	224,019,198	3,144,038	1.4%	829
1994	3,823	242,795,547	3,098,553	1.3%	811
1995	3,855	256,370,647	3,133,332	1.2%	813
1996	3,881	254,367,477	3,134,342	1.2%	808
1997	3,908	235,805,417	3,133,332	1.3%	802
1998	3,934	251,976,181	2,833,433	1.1%	720
1999	3,961	263,456,885	2,178,683	0.8%	550
2000	3,988	276,368,707	2,315,533	0.8%	581
2001	4,015	291,500,000	2,944,839	1.0%	733

SOURCE: U.S. Department of Commerce, Bureau of the Census, released March 2001 and provided by Kentucky Economic Development Cabinet.

NOTE: General long-term bonded debt outstanding includes adjustments to eliminate bonds accounted for by Proprietary Funds, State Universities, as well as adjustments reflecting updated amortization schedules, bonds redeemed prior to scheduled maturity, and correction of maturity.

**COMMONWEALTH OF KENTUCKY**  
**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO**  
**TOTAL EXPENDITURES FOR GENERAL GOVERNMENTAL FUNCTIONS**  
**FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio Data)

For the Year Ended June 30	General Long - Term Debt Service	Total Expenditures	Ratio
1992	\$ 413,450	\$ 7,808,004	5.3%
1993	284,323	8,014,622	3.5%
1994	357,122	8,058,025	4.4%
1995	416,756	9,177,980	4.5%
1996	392,130	9,473,403	4.1%
1997	332,127	10,147,728	3.3%
1998	438,029	10,644,432	4.1%
1999	357,698	11,095,291	3.2%
2000	302,708	12,066,754	2.5%
2001	410,058	12,605,995	3.3%

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report.

**COMMONWEALTH OF KENTUCKY**  
**UNIVERSITY AND COLLEGE FUNDS REVENUE BOND COVERAGE**  
**FOR THE LAST TEN FISCAL YEARS**  
(Expressed in Thousands, Except Coverage)

<b>For the Year Ended June 30</b>	<b>Unrestricted Current Funds Beginning Balance</b>	<b>Unrestricted Current Funds Revenues and Additions</b>	<b>Unrestricted Current Funds Expenditures and Transfers</b>	<b>Net Revenue Available for Debt Service Requirements</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
1992	\$ 139,539	\$ 1,377,283	\$ 1,372,630	\$ 144,192	\$ 73,763	1.95
1993	144,239	1,378,410	1,365,768	156,881	108,448	1.45
1994	156,881	1,446,681	1,405,432	198,130	81,304	2.44
1995	198,435	1,531,477	1,475,510	254,402	81,113	3.14
1996	254,402	1,584,733	1,587,982	251,153	84,791	2.96
1997	251,153	1,763,331	1,743,647	270,837	84,962	3.19
1998	270,778	1,788,100	1,782,483	276,395	88,252	3.13
1999	265,694	1,961,010	1,897,023	329,681	84,782	3.89
2000	314,956	2,063,076	2,084,044	293,988	86,164	3.41
2001	301,203	2,186,443	2,185,997	301,649	83,069	3.63

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Reports; state universities' audited financial statements.

**COMMONWEALTH OF KENTUCKY  
DEMOGRAPHIC STATISTICS  
FOR CALENDAR YEARS 1991-2000**

<b>For the Year Ended December 31</b>	<b>Estimated Population</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
1991	3,714,686	\$ 16,241	7.5%
1992	3,756,358	17,320	6.9%
1993	3,792,288	17,815	6.2%
1994	3,823,215	18,514	5.4%
1995	3,855,248	19,215	5.4%
1996	3,881,051	20,155	5.6%
1997	3,907,816	21,215	5.4%
1998	3,934,310	22,353	4.6%
1999	3,960,825	23,237	4.5%
2000	4,041,769	24,057	4.1%

SOURCE: U.S. Department of Commerce, Bureau of Census; U.S. Department of Commerce, Bureau of Economic Analysis;  
Kentucky Cabinet for Human Resources

**COMMONWEALTH OF KENTUCKY  
CONSTRUCTION AND BANK DEPOSITS  
FOR CALENDAR YEARS 1991-2000**

(Expressed in Thousands, Except Number of Units)

<b>For the Year Ended December 31</b>	<b>Non-Residential Construction</b>		<b>Residential Construction</b>		<b>Bank Deposits</b>
	<b>Number of Units</b>	<b>Value</b>	<b>Number of Units</b>	<b>Value</b>	
1991	7,908	\$ 582,450	11,961	\$ 784,108	\$ 34,076,826
1992	8,437	677,181	14,689	1,023,682	34,882,000
1993	8,952	797,365	15,907	1,172,971	35,112,000
1994	10,024	801,728	18,554	1,370,011	37,352,000
1995	10,025	1,247,662	17,625	1,276,432	37,893,000
1996	See Note	See Note	18,778	1,484,079	39,769,000
1997	See Note	See Note	18,114	1,483,895	38,247,000
1998	See Note	See Note	20,640	1,730,505	39,921,000
1999	See Note	See Note	21,581	1,909,051	37,173,000
2000	See Note	See Note	18,460	1,767,181	48,345,000

SOURCE: U.S. Department of Commerce, Bureau of Census; Federal Deposit Insurance Corporation

NOTE: Beginning January 1996, the Bureau of Census, Building Permits Section has discontinued collection of Nonresidential Data due to budget reductions.

**COMMONWEALTH OF KENTUCKY**  
**SOURCES OF PERSONAL INCOME**  
**FOR CALENDAR YEARS 1991-2000**

(Expressed in Thousands, Except Percent Data)

Source	1991		1992		1993		1994		1995	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 992,423	2.4%	\$ 1,218,102	2.7%	\$ 1,038,066	2.2%	\$ 1,062,592	2.1%	\$ 651,984	1.3%
Agriculture Services, Forestry, Fisheries and Others	277,061	0.7%	292,038	0.6%	337,604	0.7%	319,445	0.6%	341,495	0.7%
Mining	1,501,106	3.6%	1,491,082	3.3%	1,426,899	3.0%	1,435,725	2.9%	1,322,910	2.6%
Manufacturing	8,957,637	21.4%	9,774,810	21.4%	10,274,871	21.5%	10,975,287	21.9%	11,424,900	22.1%
Construction	2,198,997	5.3%	2,463,938	5.4%	2,684,113	5.6%	2,875,033	5.7%	2,877,756	5.6%
Wholesale and Retail Trade	6,161,601	14.7%	6,608,880	14.4%	6,911,573	14.5%	7,355,968	14.7%	7,828,796	15.1%
Finance, Insurance and Real Estate	1,830,408	4.4%	2,075,570	4.5%	2,354,124	4.9%	2,330,102	4.7%	2,469,422	4.8%
Transportation and Public Utilities	2,974,582	7.1%	3,179,558	7.0%	3,321,852	7.0%	3,577,361	7.1%	3,702,916	7.2%
Services	8,498,816	20.3%	9,382,867	20.5%	9,951,554	20.9%	10,454,944	20.9%	11,128,883	21.5%
Government and Government Enterprises	8,413,530	20.1%	9,261,611	20.2%	9,389,110	19.7%	9,692,029	19.4%	10,032,371	19.4%

Source	1996		1997		1998		1999		2000	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,005,924	1.8%	\$ 1,089,167	1.9%	\$ 952,853	1.6%	\$ 517,624	0.8%	\$ 1,483,888	2.2%
Agriculture Services, Forestry, Fisheries and Others	343,124	0.6%	381,648	0.7%	418,171	0.7%	459,520	0.7%	486,861	0.7%
Mining	1,280,840	2.4%	1,285,507	2.2%	1,349,932	2.2%	1,317,251	2.1%	1,271,373	1.9%
Manufacturing	11,589,170	21.3%	12,115,128	21.0%	12,627,586	20.8%	13,250,867	20.7%	13,801,043	20.1%
Construction	3,076,508	5.7%	3,327,837	5.8%	3,564,392	5.9%	3,860,806	6.0%	4,185,053	6.1%
Wholesale and Retail Trade	8,196,534	15.1%	8,799,702	15.3%	9,416,822	15.5%	10,058,449	15.7%	10,443,036	15.2%
Finance, Insurance and Real Estate	2,638,070	4.8%	2,879,267	5.0%	3,047,100	5.0%	3,179,882	5.0%	3,683,236	5.4%
Transportation and Public Utilities	3,923,834	7.2%	4,139,835	7.2%	4,606,622	7.6%	4,900,018	7.6%	5,351,130	7.8%
Services	11,967,410	22.0%	12,756,562	22.1%	13,696,971	22.5%	14,746,767	23.0%	15,582,556	22.7%
Government and Government Enterprises	10,424,575	19.1%	10,820,700	18.8%	11,137,773	18.3%	11,772,286	18.4%	12,397,504	18.0%

SOURCE: Kentucky Cabinet for Economic Development, Division of Research  
NOTE: Percentages may not add to 100% due to rounding.

**COMMONWEALTH OF KENTUCKY**  
**TOP 10 MANUFACTURERS**  
(Ranked by Number of Employees)  
**2001**

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<u>Company</u>	<u>Number of Plants</u>	<u>Number of Employees</u>
Ford Motor Company	2	9,580
General Electric Company	6	9,410
Toyota Motor Corporation	1	7,800
Johnson Controls, Incorporated	15	5,972
Lexmark International Group	1	5,500
Dana Corporation	13	4,746
Emerson Electric Company	12	3,510
Publishers Printing	2	2,650
R.R. Donnelly and Sons Company	2	2,400
Toyota Tsusho	7	2,293

SOURCE: 2000 Kentucky Directory of Manufacturers, Harris InfoSource in cooperation with the Kentucky Cabinet for Economic Development.

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF MISCELLANEOUS STATISTICS**  
**JUNE 30, 2001**

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Adoption of Kentucky Constitution	1792
Form of Government	Legislative, Executive, Judicial
Land Area (square miles)	39,650
Miles of Highways, Roads and Streets	79,266

Police Protection:

Statewide Jurisdiction	
Number of Kentucky State Police Posts	16
Number of Sworn Officers	950
Number of Other Statewide Agencies	7
Number of Officers	666
County Jurisdictions	
Number of Sheriffs	120
Number of Deputies	1,371
Number of County Departments	11
Number of County Officers	633
Local Jurisdictions	
Number of Departments	243
Number of Sworn Officers	3,809
College and Universities	
Number of Departments	11
Number of Sworn Officers	171
Other law Enforcement/Task Forces/Airport Security/ County Schools Security	
Number of Departments	8
Number of Sworn Officers	108

Higher Education:

State Supported Universities and Community Colleges	
Number of Campuses	22
Number of Full-Time Instructional Faculty	5,568
Number of Students, Fall 2000	151,934
Private Colleges and Universities	
Number of Campuses	21
Number of Full-Time Instructional Faculty	1,397
Number of Students, Fall 2000	27,699

State Supported Recreation:

Number of Resort Parks	17
Number of Recreation Parks	22
Number of Historic Sites	10
Area of State Parks (acres)	44,900
Number of 2001 Overnight Visitors	1,159,431

Permanent Full-Time Executive Branch Employees	36,994
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SOURCES: Kentucky Revised Statutes

Kentucky Transportation Cabinet  
Kentucky State Police  
Kentucky Council on Higher Education  
Kentucky Department of Parks  
Kentucky Personnel Cabinet

**COMMONWEALTH OF KENTUCKY**  
**ENTITY RISK POOLS**  
**CLAIMS DEVELOPMENT INFORMATION**  
**FOR THE LAST EIGHT YEARS**

(Expressed in Thousands)

<b>State-Workers' Compensation</b>								
	<b>Fiscal and Policy Year Ended</b>							
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Earned Premiums	\$ 14,052	\$ 12,991	\$ 14,470	\$ 14,095	\$ 16,121	\$ 17,351	\$ 17,026	\$ 13,543
Earned Investment Income								
Total	<u>14,052</u>	<u>12,991</u>	<u>14,470</u>	<u>14,095</u>	<u>16,121</u>	<u>17,351</u>	<u>17,026</u>	<u>13,543</u>
Administrative Expense	669	401	542	554	404	513	526	533
Incurring Claims as								
Originally Estimated	15,531	12,727	14,709	14,982	13,243	13,298	15,324	19,097
Claims Paid (Cumulative) as of:								
End of Fiscal Year	3,441	3,093	3,010	2,615	2,819	2,702	3,128	3,790
One Year Later	6,492	5,797	5,882	5,626	5,697	5,833		
Two Years Later	8,207	7,588	7,560	7,156	7,179			
Three Years Later	9,152	8,721	8,632	8,172				
Four Years Later	10,211	9,346	9,552					
Five Years Later	10,671	9,812						
Six Years Later	11,043							
Seven Years Later								
Re-estimation of Incurred Claims								
End of Fiscal Year	15,531	12,727	14,709	14,982	13,243	13,298	15,324	19,097
One Year Later	15,277	12,883	14,502	13,006	12,876	13,623	16,584	
Two Years Later	16,075	13,266	14,519	12,627	13,473	15,543		
Three Years Later	15,324	13,526	14,021	12,762	14,416			
Four Years Later	15,230	13,797	14,507	14,270				
Five Years Later	14,424	14,028	15,345					
Six Years Later	14,503	14,405						
Seven Years Later	16,240							
Increase (Decrease) in Estimated								
Incurred Claims From the								
Original Estimate Using								
Re-estimation as of the End								
of the Most Recent Fiscal Year	709	1,678	636	(712)	1,173	2,246	1,260	

SOURCE: Compilation Report



## ACKNOWLEDGMENTS

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